

Report of the Board of Directors

(Issued as of 26 February 2013)

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Dear Shareholders,

This is the Report of the Board of Directors (the “**Board Report**”) on the activities of European Aeronautic Defence and Space Company EADS N.V. (the “**Company**” or “**EADS**” and together with its subsidiaries, the “**Group**”) during the 2012 financial year, prepared in accordance with Dutch regulations.

For further information regarding EADS’ business, finances, risk factors and corporate governance, please refer to the EADS website - www.eads.com.

1. General Overview

With consolidated revenues of € 56.5 billion in 2012, EADS is Europe’s premier aerospace and defence company and one of the largest aerospace and defence companies in the world. In terms of market share, EADS is among the top two manufacturers of commercial aircraft, civil helicopters, commercial space launch vehicles and missiles, and a leading supplier of military aircraft, satellites and defence electronics. In 2012, it generated approximately 79% of its total revenues in the civil sector and 21% in the defence sector. As of 31 December 2012, EADS’ active headcount was 140,405 employees.

EADS organises its businesses into the following four operating Divisions: (i) Airbus (including Airbus Commercial and Airbus Military), (ii) Eurocopter, (iii) Astrium, and (iv) Cassidian.

2. Summary 2012

2012 was a year of successful transition, continuous growth and sustained progress for EADS. Despite a difficult macro-economic environment, EADS improved its year-on-year operating performance, driven by strong commercial activities at Airbus and rising services activities at Eurocopter and Astrium.

When EADS started the year 2012 it set itself the following “EADS Group Priorities for 2012”, which were shared with all employees:

1. Focus management on engagement, people skills and gender diversity; promote accordingly
2. Enhance profitability, generate cash and increase value creation
3. Execute on current programmes and improve engineering efficiency
4. Protect current and future governmental programmes in times of budget constraints
5. Identify organic and external business growth in the US and emerging countries
6. Enforce integrity and transparency in our key processes and set industry standards in both business ethics and Enterprise Risk Management
7. Foster innovation and entrepreneurship
8. Implement and deliver on services ambitions
9. Improve eco-efficiency of our products and industrial processes
10. Ensure a smooth and efficient transition process

For the full year 2012, EADS’ revenues increased by 15% to € 56.5 billion. This strong performance was driven mainly by higher volume and more favourable U.S. dollar rates at Airbus Commercial as well as solid increases at Eurocopter and Astrium. Revenues at Eurocopter and Astrium were boosted by the services businesses, including Vector Aerospace and Vizada. These companies, which were acquired in 2011, contributed around € 1.5 billion to the 2012 revenues. Despite the overall defence environment, defence revenues were flat compared to 2011. Physical deliveries remained strong with a record 588 aircraft for Airbus Commercial, 29 aircraft for Airbus Military, 475 helicopters at Eurocopter and the 53rd consecutive successful Ariane 5 launch.

EADS achieved double-digit revenue and profit growth during 2012, while further increasing the order backlog. Going forward, the focus on bottom line growth and the dedication to profitability remain pivotal. If anything, the new governance, the new shareholder structure and the new Board as of end March aims to further energize the company and its employees on their successful international growth path.

3. Share Capital and Stock Price Evolution

3.1 Shareholding and voting rights

Issued share capital

As of 31 December 2012, EADS' issued share capital amounted to € 827,367,945 divided into 827,367,945 shares of a nominal value of € 1 each. The issued share capital of EADS as of such date represents 27.58% of the authorised share capital of € 3,000,000,000 comprising 3,000,000,000 shares. The holder of one issued share has one vote and is entitled to the profit in proportion to his participation in the issued share capital.

Modification of share capital or rights attached to shares

Unless such right is limited or excluded by the shareholders' meeting (or the Board of Directors, if authorised by the shareholders' meeting to do so) as described below, holders of shares have a pre-emptive right to subscribe for any newly issued shares pro rata to the aggregate nominal value of shares held by them, except for shares issued for consideration other than cash and shares issued to employees of the Company or of a group company. For the contractual position as to pre-emption rights, see "3.2. Relationship with Principal Shareholders".

The shareholders' meeting has the power to issue shares. The shareholders' meeting may also authorise the Board of Directors for a period of no more than five years, to issue shares and to determine the terms and conditions of share issuances.

The shareholders' meeting also has the power to limit or to exclude pre-emption rights in connection with new issues of shares, and may authorise the Board of Directors for a period of no more than five years, to limit or to exclude pre-emption rights. All resolutions in this context must be approved by a two-thirds majority of the votes cast during the shareholders' meeting in the case where less than half of the capital issued is present or represented at said meeting.

However, a 75% voting majority would be required once EADS' new Articles of Association ("**New Articles of Association**") become effective as proposed to the Extraordinary General Meeting of shareholders to be held on 27 March 2013 ("**EGM**"), for any shareholders' resolution to issue shares or to grant rights to subscribe for shares for an aggregate issue price in excess of € 500,000,000 per issuance, but only if there exist no pre-emption rights in respect thereof. The same voting majority would apply if the shareholders' meeting wished to authorise the Board of Directors to resolve on such share issuance or granting of rights. For further information, please refer to the Report of the Board of Directors in respect of the EGM (the "**EGM Board Report**").

Pursuant to the existing shareholders' resolution adopted at the annual general meeting ("**AGM**") held on 31 May 2012, the powers to issue shares and to grant rights to subscribe for shares which are part of the Company's authorised share capital and to limit or exclude preferential subscription rights for existing shareholders have been delegated to the Board of Directors provided that such powers shall be limited to 0.15% of EADS' authorised share capital. Such powers have been granted for a period expiring at the AGM to be held on 29 May 2013. The shareholders' meeting will be requested to renew those powers in such AGM, provided that such renewed authorisation will not involve an issuance of shares, or granting of rights to subscribe for shares, which would require a 75% voting majority if resolved upon by the shareholders' meeting under the New Articles of Association. At the AGM held on 31 May 2012, the Board of Directors was authorised, for a period of 18 months from the date of such AGM, to repurchase shares of EADS, by any means, including derivative products, on any stock exchange or otherwise, as long as, upon such repurchase, EADS would not hold more than 10% of EADS' issued share capital. The shareholders' meeting will be requested to renew those powers in the AGM to be held on 29 May 2013 (without prejudice to the additional repurchase authorisation referred to below).

Additionally, in connection with the contemplated changes to EADS' shareholding structure and governance (the "**New Governance Structure**") under the agreement (the "**Multiparty Agreement**") reached on 5 December 2012 by the Company, EADS' core shareholders and Kreditanstalt für Wiederaufbau ("**KfW**"), a public law institution serving domestic and international policy objectives of the Federal Government of the Federal Republic of Germany, an additional share repurchase authorisation has been proposed for adoption by the EGM. Under the proposed resolution (which itself is conditional upon adoption of all other resolutions proposed to the EGM), the Board of Directors will be authorised, for a period of 18 months from the date of such EGM, to repurchase up to 15% of EADS's issued share capital as at the date of the acquisition, by any means, including derivative products, on any stock exchange, in a private purchase, by way of a public purchase offer or otherwise, at a price not less than the nominal value and at most € 50 per share. This authorisation will be in addition, and without prejudice, to the authorisation granted by the AGM held on 31 May 2012 and the authorisation requested from the AGM to be held on 29 May 2013. For further information related to the Multiparty Agreement and this additional share repurchase authorisation, please refer to the EGM Board Report.

The shareholders' meeting may reduce the issued share capital by cancellation of shares, or by reducing the nominal value of the shares by means of an amendment to the Articles of Association. The cancellation of shares requires the approval of a two-thirds majority of the votes cast during the shareholders' meeting in the case where less than half of the capital issued is present or represented at said meeting; the reduction of nominal value by means of an amendment to the Articles of Association requires the approval of a two-thirds majority of the votes cast during the shareholders' meeting (unless the amendment to the Articles of Association also concerns an amendment which under the New Articles of Association will require a 75% voting majority).

Securities granting access to the Company's capital

Except for stock options granted for the subscription of EADS shares (see "Notes to the Consolidated Financial Statements ("IFRS") — Note [35]: Share-Based Payment"): there are no securities that give access, immediately or over time, to the share capital of EADS.

The table below shows the total potential dilution that would occur if all the stock options issued as at 31 December 2012 were exercised:

	Number of shares	Percentage of diluted capital	Number of voting rights	Percentage of diluted voting rights*
Total number of EADS shares issued as of 31 December 2012	827,367,945	98.6%	822,141,410	98.6 %
Total number of EADS shares which may be issued following exercise of stock options	11,355,143	1.4%	11,356,143	1.4 %
Total potential EADS share capital	838,724,088	100%	833,497,553	100%

(*) The potential dilutive effect on capital and voting rights of the exercise of these stock options may be limited as a result of the Company's share purchase programmes and in the case of subsequent cancellation of repurchased shares.

Changes in the issued share capital in 2012

In 2012, EADS employees exercised 5,261,784 stock options granted to them through the stock option plans launched by the Company. As a result, 5,261,784 new shares were issued in the course of 2012. The Company also issued 2,177,103 new shares in 2012 in connection with the employee share ownership plan.

553,233 treasury shares were cancelled in 2012 following approval by the AGM held on 31 May 2012.

Repurchases of shares in 2012

During 2012, EADS repurchased in aggregate 2,119,467 shares directly or pursuant to contracts entered into with a bank to purchase EADS shares on EADS' behalf through derivative products in order to compensate the dilution effect resulting from the issuance of shares following the exercise of stock options under the Company's various stock option plans.

Shareholding structure at the end of 2012

EADS combined the activities of Aerospatiale Matra (“**Aerospatiale Matra**” or “**ASM**”), Daimler Aerospace AG (“**Dasa**”) (with the exception of certain assets and liabilities) and Construcciones Aeronauticas SA (“**CASA**”) pursuant to a series of transactions completed in July 2000.

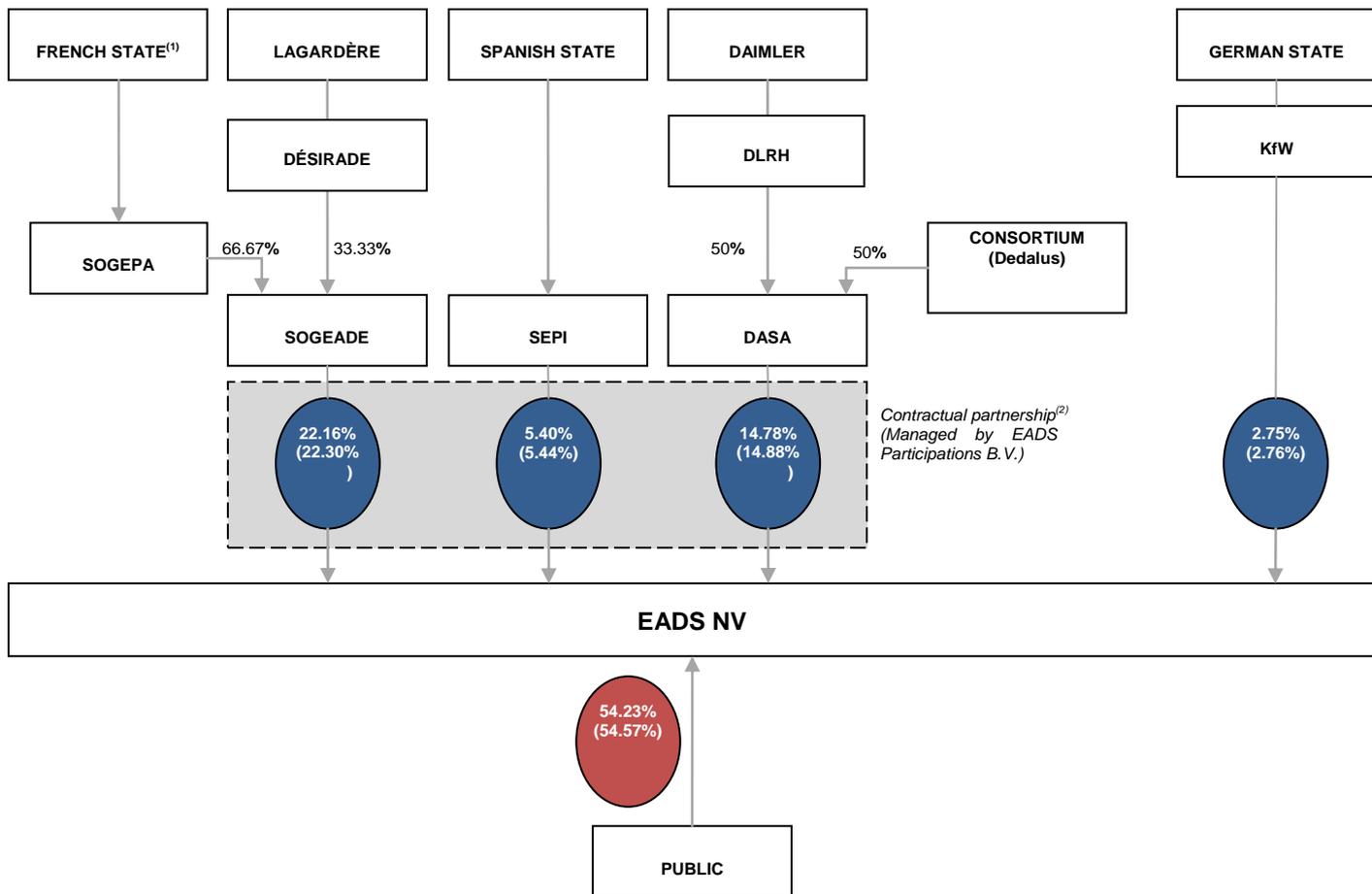
In this Report of the Board of Directors, the term “Completion” relates to the July 2000 completion of the contributions made by Aerospatiale Matra, Dasa and Sociedad Estatal de Participaciones Industriales (“**SEPI**”) (a Spanish stateholding company) to EADS to combine such activities into EADS.

The term “Indirect EADS Shares” relates to the EADS shares held by Dasa, SEPI and Société de Gestion de l’Aéronautique, de la Défense et de l’Espace (“**Sogeade**”), as well as, for Lagardère SCA (“**Lagardère**”) and Société de Gestion de Participations Aéronautiques (“**Sogepa**”), or the companies of their group, the number of EADS shares held indirectly via Sogeade, reflecting by transparency, their respective interest in Sogeade. The Indirect EADS Shares have been pledged to EADS Participations B.V., which has been granted the exclusive power to exercise the voting rights attached to the pledged shares (including the right to attend and speak at shareholders’ meetings) as described below.

Unless the context requires otherwise, the shareholdings of Dasa in EADS are referred to in this document as shareholdings of Daimler AG (“**Daimler**”), and the rights and obligations of Dasa pursuant to the agreements described herein are referred to as rights and obligations of Daimler.

As at 31 December 2012, 14.78% of EADS’ share capital was held by Dasa, whose share capital, as at 31 December 2012, was held 50% by Daimler Luft- und Raumfahrt Holding AG (“**DLRH**”), a wholly owned subsidiary of Daimler and 50% by a consortium of private and public-sector investors (“**Dedalus**”), with Daimler controlling the voting rights of all of the EADS shares held by Dasa. Sogeade, a French partnership limited by shares (société en commandite par actions) whose share capital, as at 31 December 2012, was held 66.67% by Sogepa (a French state holding company) and 33.33% by Désirade (a French société par actions simplifiée wholly owned by Lagardère), held 22.16% of EADS’ share capital. Thus, 36.94% of the share capital of EADS was held by Dasa and Sogeade who jointly controlled EADS through a Dutch law contractual partnership managed by EADS Participations B.V. (the “**Contractual Partnership**”). SEPI, which is a party to the Contractual Partnership, held 5.40% of EADS’ share capital. KfW held a voting interest of 2.76% in EADS and an economic interest of [8.56%] in EADS – 2.76% directly and 5.80% via Dedalus. The public (including EADS employees) and the Company held, respectively, 54.23% and 0.63% of EADS’ share capital. The République Française (the “**French State**”) directly held 0.06% of the share capital, such shareholding being subject to certain specific provisions.

The diagram below shows the ownership structure of EADS as at 31 December 2012 (% of capital and of voting rights (in parentheses) before exercise of outstanding stock options granted for the subscription of EADS shares). See “Notes to the Consolidated Financial Statements (“IFRS”) – Note [35]: Share-Based Payment”.



- (1) The French State also directly holds 0.06% of the share capital (such shares being placed with the Caisse des Dépôts et Consignations) and exercises the voting rights attached to these EADS shares in the same way that EADS Participations B.V. exercises the voting rights pooled in the Contractual Partnership.
- (2) EADS Participations B.V. exercises the voting rights attached to these EADS shares pledged by Sogeade, Dasa and SEPI who retain title to their respective shares.
- (3) As at 31 December 2012, EADS holds, directly or indirectly through another company in which EADS holds directly or indirectly more than 50% of the share capital, 5,226,535 of its own shares, equal to 0.63% of issued share capital. The treasury shares owned by EADS do not carry voting rights.

Changes in shareholding structure during 2012 and early 2013

On 6 December 2012 pursuant to a transaction contemplated by the Multiparty Agreement, Daimler sold 61.1 million EADS shares (approximately 7.44% of the outstanding EADS shares) through an accelerated book building transaction (the “**ABB**”). This reduced Daimler’s economic interest in EADS to approximately 7.44% and its voting interest to 14.88%. KfW acquired 2.76% of the outstanding EADS shares as part of the ABB.

In a second transaction, KfW acquired (through a wholly owned subsidiary) 65% of the shares in Dedalus on 2 January 2013, which brought its stake in Dedalus to 78%. The remaining 22% of Dedalus is held by certain German public entities. Dedalus holds an economic interest of 7.44% in EADS. As a result of these two transactions, KfW currently holds a voting interest of 2.76% in EADS and an economic interest of 8.56% in EADS – 2.76% directly and 5.80% via Dedalus. The other German public entities participating in Dedalus hold a 1.64% economic interest in EADS via Dedalus. The joint economic interest of KfW and such German public entities in EADS is thus currently 10.2%.

Subject to the satisfaction of certain conditions precedent (the “**Conditions Precedent**”) as set forth in the Multiparty Agreement—including approval by the EGM of the proposed shareholder resolutions submitted at such EGM—a series of related transactions (collectively referred to as the “**Consummation**”) is expected to occur shortly after the EGM. Until the Consummation has occurred (thus including during the EGM), Daimler will continue to control, subject to the terms of the current Participation Agreement (see “3.2. Relationship with Principal Shareholders”), the voting rights of the EADS shares in which Dedalus and its investors hold an indirect economic interest.

KfW has joined the Participation Agreement (see “3.2. Relationship with Principal Shareholders”) through a deed of adherence (the “**Deed of Adherence**”), under which KfW has agreed to exercise the voting rights attached to the EADS shares acquired by KfW in the ABB in the same manner as the voting rights attached to the Indirect EADS Shares are exercised.

For further information related to the anticipated future changes in EADS’ shareholding structure following the Consummation, please refer to the EGM Board Report.

For the number of shares and voting rights held by members of the Board of Directors and Executive Committee as of 31 December 2012, see “Notes to the Company Financial Statements – Note [11]: Remuneration”.

Transactions to limit holdings by parties to new shareholders’ agreement prior to Consummation

Sogepa and SEPI have agreed that as soon as possible after the approval by the EGM of the proposed shareholder resolutions either to sell or “warehouse” (i.e. temporary transfer to a Dutch foundation for the purpose of administration) such number of EADS shares, if any, prior to the Consummation required to prevent the concert of Sogepa, KfW and SEPI (together with any and all persons acting (or deemed to be acting) in concert with them under the Dutch rules on public bids as further described below) from reaching or exceeding the 30% of the voting rights in the shareholders’ meeting of EADS at any time. In the case of a warehousing, the relevant EADS shares will be transferred to an independent Dutch foundation in a manner that will not create the risk of a mandatory public bid being triggered by the concert of Sogepa, KfW and SEPI for EADS shares under Dutch law.

Right to attend shareholders’ meetings

Each holder of one or more shares may attend shareholders’ meetings, either in person or by written proxy, speak and vote according to the Articles of Association. However, under (and subject to the terms of) the Articles of Association (and the New Articles of Association), these rights may be suspended under circumstances.

A shareholder or person who has the right to attend a meeting can see to it that he is represented by more than one proxy holder, provided that only one proxy holder can be appointed for each share.

The persons who have the right to attend and vote at shareholders’ meetings are those who are so on record in a register designated for that purpose by the Board of Directors on the twenty-eighth day prior to the day of the shareholders’ meeting (the “**Registration Date**”), irrespective of who may be entitled to the shares at the time of that meeting.

Any person who is entitled to exercise the rights set out in the above paragraph (either in person or by means of a written proxy) and is attending the meeting from another location in such a manner that the person acting as Chairman of the meeting is convinced that such a person is properly participating in the meeting, shall be deemed to be present or represented at the meeting, shall be entitled to vote and shall be counted towards a quorum accordingly.

As a prerequisite to attending the shareholders’ meeting and to casting votes, the Company, or alternatively an entity or person so designated by the Company, should be notified in writing by each holder of one or more shares and those who derive the aforementioned rights from these shares, not earlier than the Registration Date, of the intention to attend the meeting. Ultimately this notice must be received by the Company, or alternatively an entity or person so designated by the Company, on the day mentioned in the convening notice.

Holders of shares that are registered in the shareholders’ register kept in Amsterdam have the option of holding them through Euroclear France S.A. In this case the shares are registered in the name of Euroclear France S.A.

Shareholders holding their EADS shares through Euroclear France S.A. who wish to attend general meetings will have to request from their financial intermediary or accountholder an admission card and be given a proxy to this effect from Euroclear France S.A. in accordance with the instructions specified by the Company in the convening notice. For this purpose, a shareholder will also be able to request that it be registered directly (and not through Euroclear France S.A.) in the register of the Company. However, only shares registered in the name of Euroclear France S.A. may be traded on stock exchanges.

In order to exercise their voting rights, the shareholders will also be able, by contacting their financial intermediary or accountholder, to give their voting instructions to Euroclear France S.A. or to any other person designated for this purpose, as specified by the Company in the convening notice.

Pursuant to its Articles of Association, EADS may provide for electronic means of attendance, speaking and voting at the shareholders' meetings. The use of such electronic means will depend on the availability of the necessary technical means and market practice.

Mandatory public offer under Dutch law

In accordance with Dutch law, shareholders are required to make a public offer for all issued and outstanding shares in the Company's share capital if they – individually or acting in concert (as such terms are defined below), directly or indirectly – have 30% or more of the voting rights (significant control) in the Company. In addition to the other available exemptions listed below, the requirement to make a public offer does not apply to persons, who at the time the takeover provisions under Dutch law came into force, already held – individually or acting in concert – 30% or more of the voting rights in the Company. In the case of such a concert, a new member of the concert can be exempted if it satisfies certain conditions.

Under Dutch law, natural persons, legal entities or companies are “acting in concert” if they cooperate on the basis of an agreement with the objective to acquire significant control (as defined above) in the target company, or if they cooperate with the target company with the objective to prevent the success of an announced public offer for the shares in such target company. The following categories of natural persons, legal entities or companies are deemed to be “acting in concert” under Dutch law: (i) legal entities or companies that form a group of companies, (ii) legal entities or companies and their subsidiaries, and (iii) natural persons and their subsidiary companies.

In addition to the exemption stated above, the obligation to make a public offer does not apply to the natural person, legal entity or company that, amongst others:

- ▶ Acquires significant control as a result of declaring unconditional a public offer made for all shares (or depositary receipts) in the target company, provided that the bidder as a consequence can exercise more than 50% of the votes at the target company's general meeting;
- ▶ Is a legal entity, independent from the target company, that acquires significant control after a public offer has been announced by a third party, provided that such entity (i) holds the shares in the target company for a maximum period of two years and for purposes of protection of the target company and (ii) the corporate objects of such entity are to preserve the interests of the target company;
- ▶ Is a legal entity, independent from the target company, which has issued depositary receipts for the shares in the target company;
- ▶ Acquires significant control as a result of: (i) an intra-group transfer of the shares representing significant control; or (ii) a transfer between a parent company and its subsidiary;
- ▶ Acquires significant control acting in concert with one or more other natural persons, legal entities or companies, in which case the obligation to make a public offer lies with the natural person, legal entity or company that can exercise most of the voting rights in the general meeting of shareholders of the target company; or
- ▶ Acts as a custodian (if and to the extent it cannot exercise any voting rights in its sole discretion).

The obligation to make a public offer also does not apply if, amongst others:

- ▶ The natural person, legal entity or company, after acquiring significant control, loses such control within a thirty day grace period (which may be extended by the Enterprise Chamber of the Court of Appeals in Amsterdam court to ninety days in total), unless (i) loss of control is due to a transfer to a natural person, legal entity or company to which one of the exemptions set out above applies, or (ii) the acquirer of the significant control has exercised its voting rights during the grace period; or
- ▶ The target company's general meeting of shareholders agrees upfront with the acquisition of significant control - and any subsequent acquisition of shares - by a third party with 90% of votes cast in favour of such proposal, excluding any votes by such third party and any of its concert parties.

Under Dutch Law, a minority shareholder may also make a request for his shares to be purchased by an offeror who holds at least 95% of the issued share capital and the voting rights. This claim must be brought before the Enterprise Chamber of the Court of Appeals in Amsterdam within the three-month period after the closing of the acceptance period of the public offer.

Amendments to the Articles of Association

According to the Articles of Association, resolutions to amend the Articles of Association require a two-thirds majority of the votes validly cast at a general meeting of shareholders, unless, under the New Articles of Association, it concerns amendments to a limited number of provisions thereof, in which case a 75% voting majority will be required. The proposal containing the literal text of a proposed amendment must be available for inspection by shareholders at EADS' headquarters, from the day the meeting is convened until after the end of the meeting.

In connection with the New Governance Structure, the New Articles of Association have been proposed for adoption by the EGM. The proposal to amend the Articles of Association is further made in connection with the Bill on Management and Supervision (*Wet bestuur en toezicht*) and includes certain technical changes, including changes concerning the one-tier structure of the EADS' Board of Directors and the conflict of interest rules.

For further information related to the New Articles of Association, please refer to the EGM Board Report and the Explanatory Table published in relation thereto.

3.2 Relationship with Principal Shareholders

The principal agreements governing the relationships between the founders of EADS and entered into at Completion are (i) an agreement between Daimler, Dasa, Lagardère, Sogepa, Sogead and SEPI (the "**Participation Agreement**"), and (ii) a Dutch law Contractual Partnership agreement between Sogead, Dasa, SEPI and EADS Participations B.V. (the "**Contractual Partnership Agreement**"), which repeats certain terms of the Participation Agreement and a certain number of other agreements (notably, a shareholder agreement (the "**Sogead Shareholders' Agreement**") entered into on Completion between Sogepa and Lagardère and an agreement between the French State, Daimler and DRH.

These agreements contain, among other things, provisions relating to the following matters:

- ▶ The composition of the Boards of Directors of EADS, EADS Participations B.V. and Sogead Gérance (gérant commandité of Sogead);
- ▶ Restrictions on the transfer of EADS shares and Sogead shares;
- ▶ Pre-emptive and tag-along rights of Daimler, Sogead, Sogepa and Lagardère;
- ▶ Defences against hostile third parties;
- ▶ Consequences of a change of control of Daimler, Sogead, Lagardère, Sogepa or SEPI;
- ▶ A put option granted by Sogead to Daimler over its EADS shares in certain circumstances;
- ▶ Specific rights of the French State in relation to certain strategic decisions, regarding among other issues, EADS' ballistic missiles activity; and
- ▶ Certain limitations on the extent of the French State's ownership of EADS.

On 5 December 2012, the Board of Directors, EADS' core shareholders and KfW entered into the Multiparty Agreement, which contemplates various changes to EADS' shareholding structure and governance. Subject to the satisfaction of the Conditions Precedent as set forth in the Multiparty Agreement - including approval by the EGM of the proposed shareholder resolutions submitted at such EGM - and as part of the Consummation, the Participation Agreement among EADS' core shareholders and currently including KfW (together, the "**Current Consortium Members**"), the Contractual Partnership Agreement and the related arrangements would terminate and be replaced in part by a more limited shareholders' agreement (the "**New Shareholders' Agreement**") among only Sogepa, KfW and SEPI (who have agreed to hold, collectively, less than 30% of the voting interests in EADS). The New Shareholders' Agreement will not give the parties to it any rights to designate members of the Board of Directors or management team or to participate in the governance of EADS. Finally, the Multiparty

Agreement provides for the entry into state security agreements with each of the French State and German State and certain further undertakings of EADS with respect to select matters that affect the interests of the Current Consortium Members.

For further information related to the Multiparty Agreement and the anticipated future relationship with EADS' principal shareholders following the Consummation, please refer to the EGM Board Report.

Further details on the existing agreements among the principal shareholders of EADS which will remain in place until the Consummation are set out below.

Organisation of EADS Participations B.V.

The Board of Directors of EADS Participations B.V. has an equal number of Directors nominated by Daimler and by Sogeadé, respectively (taking into account proposals made by Lagardère in respect of the Sogeadé-nominated Directors). Daimler and Sogeadé each nominate two Directors, unless otherwise agreed, and the Daimler-Directors and the Sogeadé-Directors jointly have the right to nominate and to remove the Chairman and the Chief Executive Officer (“CEO”). In addition, SEPI has the right to nominate a Director, as long as the shareholding of SEPI in EADS is 5% or more. The Chairman shall either have French or German nationality and the Chief Executive Officer shall have the other nationality.

This structure gives Daimler and Sogeadé equal nominating rights in respect of the majority of the Directors of the decision-making body of EADS Participations B.V. All decisions of EADS Participations B.V.'s Board of Directors shall require the vote in favour of at least four Directors. [Following the Consummation and implementation of the anticipated future relationship with EADS' principal shareholders described above EADS Participations B.V. will no longer be involved in the governance of EADS [and be liquidated], please see the EGM Board Report for further information.]

Transfer of EADS shares

Daimler, Sogeadé, SEPI, Lagardère and Sogepa each have the right to sell its EADS shares on the market, subject to the following conditions:

- ▶ If a party wishes to sell any EADS shares, it shall first sell its shares other than its Indirect EADS Shares before exercising its right to sell its Indirect EADS Shares in accordance with the provisions set out below;
- ▶ On the sale of Indirect EADS Shares, Daimler (in the case of a sale by Sogeadé), Sogeadé (in the case of a sale by Daimler) or Sogeadé and Daimler (in the case of a sale by SEPI) may either exercise a pre-emption right or sell its Indirect EADS Shares on the market in the same proportions as the respective Indirect EADS Shares of the relevant parties bear to each other;
- ▶ Any transfer of Indirect EADS Shares by either Sogepa or Lagardère is subject to a pre-emption right in favour of Lagardère or Sogepa, as the case may be. In the event that such pre-emption right is not exercised, the Indirect EADS Shares may be sold (i) to an identified third party subject to Lagardère's or Sogepa's consent (as the case may be) and also to Daimler's consent and (ii) if such consent is not obtained, the Indirect EADS Shares may be sold on the market, subject to Daimler's pre-emption right referred to above;
- ▶ Lagardère and Sogepa shall each have a proportional right to tag-along on a sale of its Indirect EADS Shares; and
- ▶ The pre-emption and tag-along rights of Lagardère and Sogepa referred to above do not apply to a transfer of EADS shares directly held by one of them.

Any sale on the market of EADS shares in accordance with the Participation Agreement shall be conducted in an orderly manner so as to ensure the least possible disruption to the market of EADS shares. To this effect, the parties shall consult with each other before any such sale.

The transfer restrictions described above will be modified by the Multiparty Agreement. For further information related to the Multiparty Agreement and these modifications, please refer to the EGM Board Report.

Control of EADS

In the event that a third party to which Daimler or Sogeadé objects (a “**Hostile Third Party**”) has a direct or indirect interest in EADS shares equal to 12.5% or more of the number of such EADS shares the voting rights of which are pooled through the Contractual Partnership (a “**Qualifying Interest**”), then, unless a Hostile Offer (as defined below) has been made by the

Hostile Third Party or until such time as Daimler and Sogeadé agree that the Hostile Third Party should no longer be considered a Hostile Third Party or the Hostile Third Party no longer holds a Qualifying Interest, the parties to the Participation Agreement shall exercise all means of control and influence in relation to EADS to avoid such Hostile Third Party increasing its rights or powers in relation to EADS.

The parties to the Participation Agreement may accept an offer (whether by way of tender offer or otherwise) by a Hostile Third Party which is not acceptable to either Daimler or Sogeadé (a “**Hostile Offer**”), subject to provisions requiring, inter alia, the party wishing to accept, to first offer its EADS shares to Daimler and/or Sogeadé, in which case Daimler and/or Sogeadé may exercise their pre-emption rights in respect some or all of the EADS shares held by the party wishing to accept the Hostile Offer.

Any sale of EADS shares, other than the Indirect EADS Shares, by Daimler, Sogeadé or Lagardère, at a time when a Hostile Third Party is a shareholder and purchaser of EADS shares on the market, is subject to the pre-emption right of Sogeadé, Daimler and Sogepa respectively. In the case of a sale by Lagardère, if Sogepa does not exercise its right of pre-emption, Daimler has in turn a pre-emption right.

Pledge over EADS' shares granted to EADS Participations B.V.

In order to secure their undertakings under the Contractual Partnership Agreement and the Participation Agreement, Sogeadé, Dasa and SEPI granted a pledge over their respective Indirect EADS Shares to EADS Participations B.V. for the benefit of EADS Participations B.V. and the other parties to the Contractual Partnership Agreement. [As part of the Consummation and implementation of the anticipated future relationship with EADS' principal shareholders described above the pledge will be released, please see the EGM Board Report for further information.]

Related party transactions

See “Notes to the Consolidated Financial Statements (“IFRS”) — Note 36: Related Party Transactions“.

3.3 Future Employee Share Ownership Plans and Long-Term Incentive Plan

In the past, EADS has implemented the Employee Share Ownership Plans (“**ESOP**”) and Long-Term Incentive Plans (“**LTIP**”) to retain and reward EADS employees.

Pursuant to shareholders' resolutions adopted at the AGM, the powers to issue shares and to set aside preferential subscription rights of existing shareholders have been granted to the Board of Directors. Such powers include the approval of ESOP and LTIP plans.

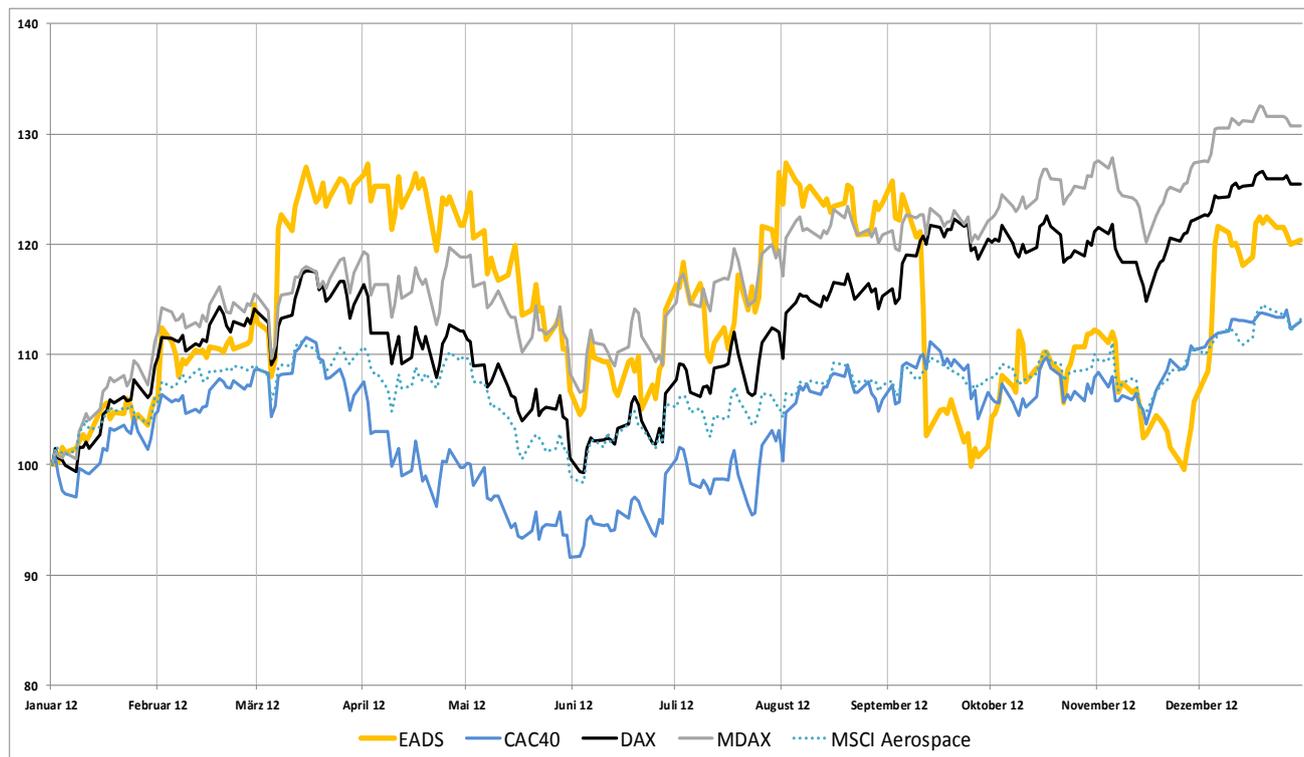
Under ESOP and LTIP, the Board of Directors shall have the discretionary authority to offer shares and grant performance and/or restricted units to employees who, in the sole judgment of the Board of Directors, are eligible thereto and to subject such grant, as the case may be, to performance conditions; each unit giving right to payment in cash.

Elements of ESOP and LTIP (Details)

For further descriptions of ESOP and LTIP programmes with additional information, see

- ▶ Item “4.3.1.2. Detailed Remuneration Policy”.
- ▶ Item “4.3.4 Employee Share Ownership Plan”.

3.4 Share price evolution 2012



Following a 38% progression the previous year, the EADS share price rose 22.15% in 2012. In the same year, the CAC 40 improved by 15.23%, the DAX by 29.06% and the MDAX by 33.9%. The MSCI Aerospace index rose 12.2%.

Up to April 2012, EADS followed an upward trend supported by the company full year release in March. The financial markets reacted positively to the improved financial performance, which beat expectations despite on-going programme challenges. On 3 April the EADS share peaked at €31.17.

Over the following months, EADS and the markets as a whole declined due to concerns about the worldwide macro-economic environment. Some analysts and investors questioned the production rates of the main manufacturers.

From early June, the EADS share price followed a positive market trend, recovering to its highest level of the year, at €31.20 on 3 August. Positive sentiment around EADS was boosted by the announcement of plans to build an Airbus final assembly line in the US.

On 12 September, the announcement of talks on a possible merger of EADS and BAE Systems triggered a sharp fall in share price. Investors were unsettled by the news, some arguing that the 60/40 ratio envisaged in the proposed new entity represented a low valuation for EADS shareholders.

Following the termination of merger discussions on 10 October, the EADS share rebounded somewhat. However, the markets remained cautious about the Company, and looked forward to further news on future strategy scheduled for 2013.

Early in December EADS top management confirmed its focus on delivering profitable growth. This message combined with the news on 5 December of plans to change the Group's governance gave EADS shares fresh impetus. The prospect of an end to the controlling shareholder pact, a significant increase in free float and a planned share buyback was warmly welcomed by the market. On 31 December 2012, the EADS share closed at €29.50.

3.5 Dividend pay-out

Based on Earnings per Share (EPS) of € 1.50, the EADS Board of Directors proposes payment on 5 June 2013 of a dividend of € 0.60 per share to the Annual General Meeting of shareholders (FY 2011: € 0.45 per share). The record date should be 4 June 2013.

It is converging towards a pay-out ratio in line with sector and industry peers. From a Board perspective, as the company is maturing, this dividend pay-out shall be the orientation for the future.

3.6 Shareholder communication policy

At all times, EADS' policy is to act in strict compliance with applicable rules and regulations on fair and non-selective disclosure and equal treatment of shareholders.

EADS discloses its financial results on a quarterly basis. Financial results releases, presentations and briefing calls with analysts and investors are fully available for all on the EADS website.

Besides the quarterly reporting, EADS regularly engages in communications with investors and analysts via road shows, group or bilateral meetings, site visits, broker conferences and investor forums. In addition to the AGM, EADS organizes dedicated information meetings for individual investors.

The purpose of all such meetings is to ensure that shareholders and the investment community receive a balanced and complete view of the Company's performance and the issues faced by the business, as well as to receive feedback from shareholders.

4. Corporate Governance

4.1 Management and control

The discussion below reflects EADS' existing governance arrangements at the time of publication of this Board Report, unless specifically indicated otherwise. Subject to the satisfaction of the Conditions Precedent as set forth in the Multiparty Agreement - including approval by the EGM of the proposed shareholder resolutions submitted at such EGM - and as part of the Consummation various changes to EADS' governance are expected to occur. For further information related to the Multiparty Agreement and the anticipated future changes in EADS' governance following the Consummation, please refer to the EGM Board Report.

4.1.1 COMPOSITION, POWERS AND RULES

Pursuant to the Articles of Association, the Board of Directors is responsible for the management of the Company.

The Board of Directors consists of a maximum of eleven members appointed and removed by the shareholders' meeting. The Board of Directors adopted rules governing its internal affairs (the "Rules") at a Board of Directors meeting held on 7 July 2000. The Rules were amended at a Board of Directors meeting held on 5 December 2003 to take into account recommendations for changes to corporate governance. The Rules were further amended at a Board of Directors meeting held on 22 October 2007, to take into account the corporate governance modifications approved during the Extraordinary General Meeting of Shareholders held the same day.

The Rules specify the composition, the role and the key responsibilities of the Board of Directors, and also determine the manner of appointment and the responsibilities of the Chairman and the Chief Executive Officer. Furthermore, the Rules also stipulate the creation of three committees (the Audit Committee, the Remuneration and Nomination Committee, and the Strategic Committee) and specify their composition, role and operating rules.

The parties to the Participation Agreement (as amended on 22 October 2007 and as referred to in paragraph 3.4 hereof) have agreed that the voting rights attached to the Indirect EADS Shares shall be exercised by EADS Participations B.V. to ensure that the Board of Directors of EADS comprises the Directors of EADS Participations B.V. and four additional independent Directors.

According to the Rules, an independent Director is defined as "a Director who is not an officer, director, employee, agent or otherwise has any significant commercial or professional connection with the Dasa Group, the Lagardère Group, the Sogepa Group, the SEPI Group, the French State, the German State, the Spanish State or the EADS Group".

Pursuant to the Participation Agreement, the Board of Directors comprises eleven members as follows:

- ▶ One Non-Executive Chairman, appointed on joint proposal by the Daimler-Directors and the Sogeade-Directors;
- ▶ The Chief Executive Officer of EADS, appointed on joint proposal by the Daimler-Directors and the Sogeade-Directors;
- ▶ Two Directors nominated by Daimler;
- ▶ Two Directors nominated by Sogeade;
- ▶ One Director nominated by SEPI, so long as the Indirect EADS Shares held by SEPI represent 5% or more of the total number of EADS shares; and
- ▶ Four independent Directors jointly proposed by the Chairman and the Chief Executive Officer of EADS and individually approved by the Board of Directors.

Pursuant to the Articles of Association, each member of the Board of Directors holds office for a term expiring at the AGM to be held in 2017. Members of the Board of Directors will retire at each fifth AGM thereafter.

The shareholders' meeting may at all times suspend or dismiss any member of the Board of Directors. There is no limitation on the number of terms that a Director may serve.

The Board of Directors appoints a Chairman, upon the joint proposal of the Daimler-Directors and the Sogeade-Directors. The Chairman ensures the smooth functioning of the Board of Directors in particular with respect to its relations with the Chief Executive Officer with whom he teams up for top level strategic discussions with outside partners, which are conducted under his supervision.

The Chairman shall have either French or German nationality, provided that the Chief Executive Officer is of the other nationality.

The Chairman can submit his resignation as Chairman to the Board of Directors or can be dismissed as Chairman by the Board of Directors, upon the joint proposal of the Daimler-Directors and the Sogeade-Directors. The appointment further terminates if the Chairman is dismissed or resigns as Director. Immediately following the dismissal or resignation of the Chairman, and if the Daimler-Directors and the Sogeade-Directors do not immediately jointly designate a new Chairman, the Board of Directors appoints by simple majority a Director (with the same citizenship as the former Chairman) as interim Chairman for a period which expires at the earlier of either (i) twenty clear days after the Daimler-Directors and the Sogeade-Directors jointly designate a new Chairman (during which period, a Board of Directors meeting is called in order to appoint the new Chairman, upon the joint proposal of the Daimler-Directors and the Sogeade-Directors), or (ii) two months from that interim Chairman's appointment.

Upon request by any member of the Board of Directors made three years after the beginning of the Chairman's term and alleging that significant adverse deviation(s) from objectives and/or failure(s) to implement the strategy defined by the Board of Directors occurred, the Board of Directors shall meet, to decide whether deviations and/or failures actually occurred during this period and if so, to decide whether to renew its confidence to the Chairman (the "Vote of Confidence"). The Board of Directors resolves upon such Vote of Confidence by simple majority. The Chairman is removed if he does not obtain such Vote of Confidence, a new Chairman being then appointed in accordance with the above.

Upon the joint proposal by the Daimler-Directors and the Sogeade-Directors, the Board of Directors has appointed a Chief Executive Officer to be responsible for the day-to-day management of the Company. The way the Chief Executive Officer can resign or be dismissed and the way the Chief Executive Officer would, if any, be replaced are identical to those applying to the Chairman. The Vote of Confidence procedure stated above is also applicable to the Chief Executive Officer under the same conditions as for the Chairman.

Powers of the members of the Board of Directors

The Company is represented by the Board of Directors or by the Chief Executive Officer. The Chief Executive Officer may not enter into transactions that form part of the key responsibilities of the Board of Directors unless these transactions have been approved by the Board of Directors.

The key responsibilities of the Board of Directors include amongst others:

- ▶ Approving any change in the nature and scope of the business of the Group;

- ▶ Approving any proposal to be submitted to the general meeting of shareholders in order to amend the Articles of Association (“Qualified Majority”, as defined below);
- ▶ Approving the overall strategy and the strategic plan of the Group;
- ▶ Approving the operational business plan and the yearly budget of the Group;
- ▶ Setting the major performance targets of the Group;
- ▶ Monitoring on a quarterly basis, the operating performance of the Group;
- ▶ Designating or removing the Chairman and the Chief Executive Officer and deciding upon the designation or removal of the Chief Executive Officer of Airbus; it being understood that (i) the Chairman and the Chief Executive Officer of Airbus shall be of the same citizenship, either French or German, and the Chief Executive Officer and the Airbus COO of the other citizenship, and (ii) the Chief Executive Officer and the Airbus Chief Executive Officer may not be the same person (“Qualified Majority”);
- ▶ Appointing the members of the Executive Committee (see below), as a whole team, not on an individual basis;
- ▶ Establishing and approving amendments to the Rules and to the rules for the Executive Committee (“Qualified Majority”);
- ▶ Deciding upon the appointments of the Airbus Shareholder Committee, the EADS Corporate Secretary and the chairmen of the Supervisory Board (or similar organ) of other important Group companies and business units;
- ▶ Approving material changes to the organisational structure of the Group;
- ▶ Approving investments, projects or product decisions or divestments of the Group with a value exceeding € 350,000,000 (it being understood that this item shall require the “Qualified Majority” only for investments, projects or product decisions or divestments of the EADS Group with a value exceeding € 500,000,000);
- ▶ Approving strategic alliances and co-operation agreements of the Group (“Qualified Majority”);
- ▶ Approving of principles and guidelines governing the conduct of the Group in matters involving non-contractual liabilities (like environmental matters, quality assurance, financial announcement, integrity) as well as the corporate identity of the Group;
- ▶ Approving matters of shareholder policy, major actions or major announcements to the capital markets;
- ▶ Approving any material decision regarding the ballistic missiles business of the Group (“Qualified Majority”);
- ▶ Approving other measures and business of fundamental significance for the Group or which involve an abnormal level of risk; and
- ▶ Approving any proposal by the Chairman and the Chief Executive Officer as to the appointment of the independent Directors, for submission to the AGM.

Voting and rules

Each Director has one vote, provided that, if there are more Sogeade-nominated Directors than Daimler-nominated Directors present or represented at the meeting, the Daimler-nominated Director who is present at the meeting can exercise the same number of votes as the Sogeade-nominated Directors who are present or represented at the meeting, and vice versa. All decisions of the Board of Directors are taken by a simple majority of votes (six Directors, present or represented, voting in favour of the decision), except for the votes relating to certain matters which can only be validly resolved upon a majority of votes including the unanimous vote of the two Sogeade-nominated Directors and the two Daimler-nominated Directors (the “**Qualified Majority**”). The quorum for the transaction of business at meetings of the Board of Directors requires the presence of at least one of the Sogeade-nominated Directors and one of the Daimler-nominated Directors. A Director can authorise another Director to represent him or her at a Board of Directors meeting and to vote on his or her behalf. Such authorisation must be in writing.

In the event of a deadlock in the Board of Directors, other than a deadlock giving Daimler the right to exercise the put option granted to it by Sogeade, the matter shall be referred to Arnaud Lagardère (or such person as shall be nominated by Lagardère) as representative of Sogeade and to the Chief Executive Officer of Daimler. In the event that the matter in question, including a deadlock giving Daimler the right to exercise the put option (but in this case with the agreement of

Sogepa and Daimler) is a matter within the competence of the general meeting of EADS, a resolution on the issue shall be put to the general meeting, with the voting rights of Sogead, Daimler and SEPI being negated.

Pursuant to the Rules, the Board of Directors may form committees from its members. In addition to the Audit Committee, the Remuneration and Nomination Committee and the Strategic Committee, the Board of Directors may form other committees to which it may transfer certain minor or ancillary decision-making functions although such assignment does not negate the joint responsibility of all Directors. The quorum for the transaction of business at any meeting of a committee requires the presence of at least one of the Sogead-nominated Directors and one of the Daimler-nominated Directors. All decisions of a committee require the simple majority of the members.

In addition to the Rules, the work of the Board of Directors is governed by internal directors' guidelines (the "**Directors' Guidelines**") adopted in light of corporate governance best practices. The Directors Guidelines are composed of a Directors' charter (the "**Directors' Charter**") detailing the rights and duties of the members of the Board of Directors, an Audit Committee charter (the "**Audit Committee Charter**"), a Remuneration and Nomination Committee charter (the "**Remuneration and Nomination Charter**") and a Strategic Committee charter (the "**Strategic Committee Charter**"), with each such charter setting forth the respective committees' roles.

Composition of the Board of Directors in 2012

Name	Age	Term started (as member of the Board of Directors)	Term expires	Principal function	Status
Arnaud Lagardère	51	2003, re-elected in 2005, 2007 and 2012	2017	Chairman of the Board of Directors of EADS NV	Non-Executive
Thomas Enders	54	2005, re-elected in 2012	2017	Chief Executive Officer of EADS NV	Executive
Dominique D'Hinnin	53	2007, re-elected in 2012	2017	Co-Managing Partner of Lagardère SCA	Nominated by Sogead
Hermann-Josef Lamberti	57	2007, re-elected in 2012	2017	Former Member of the Management Board of Deutsche Bank AG	Independent
Lakshmi N. Mittal	62	2007, re-elected in 2012	2017	Chairman and Chief Executive Officer of ArcelorMittal SA	Independent
Sir John Parker	70	2007, re-elected in 2012	2017	Chairman of Anglo American PLC	Independent
Michel Pébereau	71	2007, re-elected in 2012	2017	Honorary President of BNP Paribas SA	Independent
Josep Piqué i Camps	58	2012	2017	Chairman of Pangea XXI, Consultora Internacional	Nominated by SEPI
Wilfried Porth	54	2009, re-elected in 2012	2017	Member of the Management Board of Daimler AG	Nominated by Daimler
Jean-Claude Trichet	70	2012	2017	President of SOGEPa, Honorary Governor of Banque de France	Nominated by Sogead
Bodo Uebber	53	2007, re-elected in 2012	2017	Member of the Management Board of Daimler AG	Nominated by Daimler

Note: Status as of 1 March 2013. The professional address of all members of the Board of Directors for any matter relating to EADS is Mendelweg 30, 2333 CS Leiden, The Netherlands.

More details regarding the curriculum vitae and other mandates of all members of the Board of Directors can be found at the Company's website www.eads.com.

Within EADS, each member of the Board of Directors must have the required mix of experience, qualifications, skills and industrial knowledge necessary to assist the Company in formulating and achieving its overall strategy, together with the specific expertise required to fulfil the duties assigned to him or her as member of one of the Board of Directors' committees. The Board of Directors also believes that having a diverse composition among its members with respect to gender, experience national origin, etc. is valuable for the quality and efficiency of its work.

4.1.2 OPERATION OF THE BOARD OF DIRECTORS IN 2012

Board of Directors meetings

The Board of Directors met 11 times during 2012 and was regularly informed of developments through business reports from the Chief Executive Officer, including strategic and operational plans. The average attendance rate at such meetings remained stable at 86%.

Throughout 2012, the Board of Directors monitored the progress of significant programmes, such as A350 XWB, A400M, A380, NH90, and Saudi Border Security. It was kept regularly informed about the A350 XWB programme development progress as well as the A380 wing rib feet challenges.

The Board of Directors also addressed EADS' strategy (including the competitive environment) and undertook post-merger integration reviews on recent acquisitions such as Vector Aerospace and Vizada. Furthermore, the Board approved the Single Aisle Final Assembly Line investment in Mobile, Alabama, which is bringing the production of the industry-leading A320 Family to the world's largest market for single-aisle jetliners.

In line with the ambitious objectives of Vision 2020, the Board supported the management in its evaluation and negotiation of a merger between EADS and BAE Systems. The initiative was based on sound industrial logic and represented an opportunity to create a combination of two complementary companies greater than the sum of the parts. The effort was discontinued when it appeared that the interest of the parties' home country governments could not be reconciled adequately, and that the length of the process would be disruptive to the Company.

Finally, following a review of lessons learned from the abandoned merger project, the board supported management to negotiate the renouncement by the principal shareholders of their control rights and the establishment of the new governance agreed in the Multiparty Agreement. During the merger evaluation and the governance discussions, the board protected the integrity of its work by setting up appropriate working groups, subcommittees and information sharing procedures to avoid risks of conflict of interest, and to shelter certain directors from the risk of insider knowledge. Throughout this period, the independent directors played a major role.

Moreover, the Board of Directors focused on the Group's financial results and forecasts, asset management, supply chain challenges, the services business, compliance in key business processes and in major programs, as well as efficiency and innovation initiatives. It reviewed Enterprise Risk Management ("ERM") results, export control regulations, investor relations and financial communication policy, and legal risks. The Board also discussed further actions resulting from the third EADS engagement survey.

Finally, the Board of Directors focused on governance issues and succession planning, ensuring a smooth Board and management transition. The recommendations for the respective appointments were prepared diligently by the Board of Directors, applying the succession process under the governance of EADS, which was updated in October 2007. The process identified the best possible candidates for the composition of the Board of Directors as well as the top Executive management positions.

Board assessment 2012

The Board of Directors carries out an assessment of its performance annually and a more thorough assessment is conducted every three years by independent consultants. Due to the transition of Board and management in mid-year, and in view of the significant changes in Governance, and Board composition, following the EGM in March 2013, the Board decided to forego a Board assessment in 2012. The next Board assessment will be conducted in 2013.

4.1.3 BOARD COMMITTEES

Summary of memberships in 2012

Directors	Audit Committee	Remuneration & Nomination Committee	Strategic Committee
Arnaud Lagardère (Chairman)			Chairman
Thomas Enders(CEO)			X
Dominique D'Hinnin	X	X	
Hermann-Josef Lamberti	Chairman	X	
Lakshmi N. Mittal			
Sir John Parker	X	Chairman	
Michel Pébèreau			X
Josep Piqué i Camps			
Wilfried Porth		X	
Jean-Claude Trichet			X
Bodo Uebber	X		X
Number of meetings in 2012	5	6	1
Average attendance rate in 2012	85%	96%	100%
Note: Status as of 1 March 2013			

The Audit Committee

Pursuant to the Rules, the Audit Committee makes recommendations to the Board of Directors on the approval of the annual financial statements and the interim (Q1, H1, Q3) accounts, as well as the appointment of external auditors and the determination of their remuneration. Moreover, the Audit Committee has the responsibility for ensuring that the internal and external audit activities are correctly directed and that audit matters are given due importance at meetings of the Board of Directors. Thus, it discusses with the auditors their audit programme and the results of the audit of the accounts and it monitors the adequacy of the Group's internal controls, accounting policies and financial reporting. It also oversees the operation of the Group's ERM system and the Compliance Organisation.

The rules and responsibilities of the Audit Committee have been set out in the Audit Committee Charter.

The Chairman of the Board of Directors and the Chief Executive Officer are permanent guests of the Committee. The Chief Financial Officer and the Head of Accounting are requested to attend meetings to present management proposals and to answer questions. Furthermore, the Head of Corporate Audit and the Chief Compliance Officer are requested to report to the Audit Committee on a regular basis.

The Audit Committee is required to meet at least four times a year. In 2012 it fully performed all of its duties, and met five times, with an 85% average attendance rate.

The Remuneration and Nomination Committee

Pursuant to the Rules, the Remuneration and Nomination Committee makes recommendations to the Board of Directors regarding the appointment of members of the Executive Committee (upon proposal by the Chief Executive Officer and approval by the Chairman); the EADS Corporate Secretary; the members of the Airbus Shareholder Committee; and the chairmen of the Supervisory Board (or similar organ) of other important Group member companies and business units. The Remuneration and Nomination Committee also makes recommendations to the Board of Directors regarding remuneration strategies and long-term remuneration plans and decides on the service contracts and other contractual matters in relation to the Board of Directors and Executive Committee members. The rules and responsibilities of the Remuneration and Nomination Committee have been set out in the Remuneration and Nomination Committee Charter.

The guiding principle governing management appointments in the Group is that the best candidate should be appointed to the position ("best person for the job"), while at the same time seeking to achieve a balanced composition with respect to gender,

experience, national origin, etc. The implementation of these principles should, however not create any restrictions on the diversity within the EADS executive management team.

The Chairman of the Board of Directors and the Chief Executive Officer are permanent guests of the Committee. The Head of EADS Human Resources is requested to attend meetings of the Remuneration and Nomination Committee to present management proposals and to answer questions.

The Remuneration and Nomination Committee is required to meet at least twice a year. It met six times during 2012, with a 96% average attendance rate.

In addition to making recommendations to the Board of Directors for major appointments within the Group, the Remuneration and Nomination Committee reviewed top talents and succession planning, discussed measures to improve engagement and to promote diversity, reviewed the remuneration of the Executive Committee members for 2012, the long-term incentive plan, and the variable pay for 2011. Based on the outcome of the Free Share plan, it also proposed the terms of the 2013 ESOP plan.

The Strategic Committee

The Strategic Committee is not a decision making body but a resource available to the Board of Directors for the preparation of decisions on strategic matters. Pursuant to the Rules, the Strategic Committee makes recommendations to the Board of Directors regarding strategic developments, corporate strategies, major merger and acquisition projects, major investments or divestments, projects or product decisions, as well as major research and development projects. The rules and responsibilities of the Strategic Committee have been set out in the Strategic Committee Charter.

In addition to monitoring major strategic and divisional initiatives, acquisition targets and divestment candidates, and progress on the top priorities of the Group for the year, it made recommendations to the Board of Directors linked to the competitive landscape and home countries industrial policy, company perception in key markets, the continuous constraints on defence budgets, and conducted a review of several country strategies.

The Strategic Committee is required to meet at least twice a year. The Chief Executive Officer is a member and the Chief of the EADS Marketing and Sales Organization is a permanent guest, in order to present management proposals and to answer questions. During the merger initiative with BAE, the Board of Directors absorbed the functions of the Strategic Committee, thus the Committee only met once during the first half-year of 2012. The new EADS Governance, proposed to the EGM for approval, does not foresee the perpetuation of the Strategic Committee.

4.1.4 CONFLICT OF INTEREST AND INSIDER TRADING RULES

Conflicts of interest

EADS has a conflict of interest policy which sets out that any potential or actual conflicts of interest between EADS and any member of the Board of Directors shall be disclosed and avoided (please refer to the Directors' Charter and to the Code of Ethics both available on the Company's website www.eads.com). The New Articles of Association to be resolved on at the EGM will include an amendment of the conflicts of interest arrangements as a result of the Bill on Management and Supervision (*Wet bestuur en toezicht*) that was enacted on 1 January 2013, which will confirm, among others, that a conflicted member of the Board of Directors should abstain from participating in the decision-making process concerning the matters concerned.

Insider Trading Rules

The Board of Directors has also adopted specific Insider Trading Rules ("ITR"), which restrict its members from trading in EADS shares in certain circumstances. Pursuant to the ITR, (i) all employees and directors are prohibited from conducting transactions in EADS shares or stock options if they have inside information, and (ii) certain persons are only allowed to trade in EADS shares or stock options within very limited periods and have specific information obligations to the ITR compliance officer of the Company and the competent financial market authorities with respect to certain transactions. The updated version of the ITR effective from 1 May 2012 is available on the Company's website www.eads.com.

4.2 Dutch Corporate Governance Code

In accordance with Dutch law and with the provisions of the Dutch corporate governance code as amended at the end of 2008 (the “Dutch Code”), which includes a number of non-mandatory recommendations, the Company either applies the provisions of the Dutch Code or, if applicable, explains and gives sound reasons for their non-application. While EADS, in its continuous efforts to adhere to the highest standards, applies most of the current recommendations of the Dutch Code, it must, in accordance with the “apply or explain” principle, provide the explanations below.

For the full text of the Dutch Code, please refer to www.commissiecorporategovernance.nl.

For the financial year 2012, EADS states the following:

1. EADS is a controlled Company and, therefore, a number of the members of the Board of Directors, Audit Committee, Remuneration and Nomination Committee and Strategic Committee are designated and can be removed by its controlling shareholders.

Accordingly:

- ▶ Four members of the Board of Directors out of eleven are independent (whereas provision III.2.1 of the Dutch Code recommends that there be no more than one non-independent member of the Board of Directors).
- ▶ Members of the Board of Directors retire simultaneously on a five-yearly basis (whereas provision III.3.6 of the Dutch Code recommends that there be a retirement schedule to avoid, as far as possible, a situation in which many Non-Executive members of the Board of Directors retire at the same time) .
- ▶ The term of the office of members of the Board of Directors is five years without limitation on renewal (whereas provisions II.1.1 and III.3.5 of the Dutch Code recommend that there be no more than three four-year terms for Non-Executive members of the Board of Directors and that there be four-year terms (without limitation on renewal) for Executive members of the Board of Directors).
- ▶ The Board of Directors is headed by the Chairman of the Board of Directors. In case of dismissal or resignation of the Chairman, the Board of Directors shall immediately designate a new Chairman. There is therefore no need for a vice-Chairman to deal with the situation when vacancies occur (whereas provision III.4.1(f) of the Dutch Code recommends that there is a vice-Chairman).
- ▶ EADS' Audit Committee does not meet without the Chief Executive Officer being present (whereas provision III.5.9 of the Dutch Code recommends this).
- ▶ EADS' Audit Committee includes two members of the Board of Directors designated by the controlling shareholders (whereas provision III.5.1 of the Dutch Code recommends that there be no more than one non-independent Audit Committee member).
- ▶ EADS' Remuneration and Nomination Committee includes two members of the Board of Directors designated by the controlling shareholders (whereas provision III.5.1 of the Dutch Code recommends that there be no more than one non-independent Committee member).
- ▶ EADS' Remuneration and Nomination Committee is not the relevant body responsible for the selection procedure and nomination proposals for members of the Board of Directors (whereas provision III.5.14 (a) of the Dutch Code recommends that such Committee shall focus on drawing up selection criteria and the appointment procedures for members of the Board of Directors; and provision III.5.14 (d) recommends that such Committee shall focus on making proposals for appointments and reappointments).
- ▶ Pursuant to the Bill on Management and Supervision (*Wet bestuur en toezicht*) that was enacted on 1 January 2013, a Board of Directors is composed in a balanced way if it contains at least 30% women and at least 30% men. The contemplated balance of the composition of the Board of Directors shall as much as possible be taken into account at, among others, new appointments and recommendations. The Board of Directors does not yet comply with these composition guidelines. In connection with the changes of the composition of the Board of Directors, as reflected in the EGM Board Report, the company has incorporated a woman in its Board of Directors. EADS will continue to promote gender diversity within its Board of Directors in the future by striving to increase the proportion of female Directors.

Certain of the governance arrangements described above will substantially change under the New Governance Structure. Please refer to the EGM Board Report for further information.

2. As for remuneration of member of the Board of Directors

EADS applies different rules for the remuneration of Executive (the Chief Executive Officer) and Non-Executive members of the Board of Directors, as explained in - 4.3.1. EADS' Remuneration Policy and 4.3.2. Remuneration of the members of the Board.

In case of dismissal from the Company of the Chief Executive Officer, a termination indemnity equal to one and a half times the annual total target salary would be paid subject to the following conditions (whereas provision II.2.8 of the Dutch Code recommends that the maximum remuneration in the event of dismissal be one year's salary, and that if the maximum of one year's salary would be manifestly unreasonable for an Executive Board member who is dismissed during his first term of office, such Board member be eligible for severance pay not exceeding twice the annual salary): the Board of Directors has concluded that the Chief Executive Officer can no longer fulfil his position as a result of change of EADS' strategy or policies or as a result of a change in control of EADS. The termination indemnity would be paid only provided that the performance conditions assessed by the Board of Directors would have been fulfilled by the Chief Executive Officer.

3. EADS is listed on the Frankfurt, Paris and Spanish stock exchanges and endeavours to strictly comply with the relevant regulations and takes into account the general principles on these markets protecting all its stakeholders.

Therefore, in line with these regulations and general principles in the jurisdictions in which the Company is listed;

- ▶ EADS does not require members of the Board of Directors to hold their securities in the Company as a long-term investment (whereas provision III.7.2 of the Dutch Code recommends such a treatment);
- ▶ EADS does not follow various recommendations for dealings with analysts, including allowing shareholders to follow meetings with analysts in real time and publishing presentations to analysts on the website as set out in provision IV.3.1 of the Dutch Code.

For information on the operation of the shareholders' meeting and its key powers and on shareholders' rights and how they can be exercised, please refer to section 3.1 (Shareholding and voting rights – right to attend meetings).

For information on the composition and operation of the Board of Directors and its respective committees, please refer to section 4.1.1 "Composition, power and rules, section, 4.1.2 "Operation of the Board of Directors in 2012", section 4.1.3 "Board Committees".

For information on (i) significant direct and indirect shareholdings, (ii) holders of shares with special control rights, (iii) rules governing appointment and dismissal of Directors, (iv) amendments to the Articles of Association, and (v) the delegation to the Board of Directors of the power to issue or buy back shares, please refer to section 3.1 "Shareholding and voting rights – Shareholding structure and development in 2012", section 3.2 "Relationships with principal shareholders", section 4.1.1 "Composition, powers and rules", section 3.1 "Shareholding and voting rights – Amendments to the Articles of Association" and section 3.1 "Shareholding and voting rights – Modifications of Share Capital or Rights attached to Shares".

For further information related to the Multiparty Agreement and the anticipated future changes in EADS' governance following the Consummation, please refer to the EGM Board Report.

4.3 Remuneration Report

4.3.1 EADS' REMUNERATION POLICY

4.3.1.1 General principles

Strategy

EADS' remuneration strategy is to provide remuneration that:

- ▶ Attracts, retains and motivates qualified executives;
- ▶ Is aligned with shareholders' interest;
- ▶ Is performance-related to a significant extent;
- ▶ Is fair and transparent;
- ▶ Is competitive against the comparable market; and
- ▶ Can be applied consistently throughout the Group.

Benchmark

The remuneration policy is benchmarked regularly against the practice of other global companies, using peer group data and general industry data of consulting firms. The benchmark data is a weighted average of French, German and UK information, in the home countries of EADS. In countries outside EADS' home region (such as the US), EADS benchmarks against national peer group data of the industry. The total target remuneration for executives is targeted at the median level compared to the benchmark data.

Assessment of the appropriateness of Board of Directors and Executive Committee remuneration

In March 2010, an assessment performed by an independent expert confirmed that EADS' Board of Directors and Executive Committee remuneration, terms and conditions were in line with the relevant European benchmarks and that EADS was compliant with the specific requirements and regulations set forth in the relevant corporate governance frameworks. This assessment was confirmed in October 2011. In order to ensure future compliance another comparable assessment will be performed, if the regulatory rules change. It is envisaged to review the remuneration structure of the EADS Executive Committee members during the course of the business year 2013.

Regular review

The Remuneration and Nomination Committee is charged with reviewing and making recommendations to the Board on remuneration policy and issues, with the Board of Directors making the final decision. Pursuant to its charter,

the Remuneration and Nomination Committee must ensure that the rules for determining the variable portion of executives' remuneration are consistent with EADS' annual performance and the long-term strategy, and that this variable portion is linked to previously-determined, measurable targets which must be achieved both in the short term and the long term.

Each year, the Remuneration and Nomination Committee reviews the achievements of the performance conditions of the variable remuneration and how they may affect the remuneration of executives. Following analysis of different scenarios, the Board then determines the level at which performance conditions have been met. The Board based on the recommendation by the Remuneration and Nomination Committee can adjust the payout of the annual variable remuneration and the LTIP grants upwards or downwards if the predetermined performance criteria would produce an unfair result in extraordinary circumstances.

In making its final decision on the remuneration policy, the Board seeks to promote EADS' interests in the medium and long term while discouraging executives from acting in their own interests or taking risks that are not in keeping with the adopted strategy.

Performance management

The remuneration structure has changed since 2011 to reflect the importance of performance management in EADS. Consequently, EADS focusses on the suitable implementation of the respective performance management rules.

(i) Setting of collective financial targets

The process for setting collective financial targets is reinforced to be a more proactive and interactive core process between the Board of Directors and the Executive Committee. It aims at achieving both the long-term strategic goals set forth under Vision 2020 and the short-term objectives based on the annual Operative Planning.

The process takes place in two consecutive steps: Around mid-year, the Board, in discussion with management, sets the 'ambitious target' for the collective financial Key Performance Indicators ("KPI"), taking into account market benchmarks of peers and other relevant industries. This target ambition represents the 150% achievement level of the variable remuneration and the LTIP. At year-end, the target setting for the year(s) to come is finalized together with the Operative Planning.

The collective financial targets are themselves subject to different metrics. Annual variable remuneration is determined based on achievement of collective targets for the Earnings Before Interest and Taxes ("EBIT") and Free Cash Flow on Group and Divisional level. LTIP awards are based on achievement of the 3-years absolute average Earnings per Share ("EPS" = Net Income divided by number of ordinary shares) of the Group.

EPS as KPI for LTIP is well recognized throughout the market and used by numerous peer companies. The three years average EPS is intended to focus more on the long-term performance particularly from an investor's perspective, thereby strengthening the relationship between remuneration and sustainable EADS wide operational performance.

For the definition of the collective financial targets 2013, it has been decided to introduce the Return on Capital Employed ("RoCE") in addition to the EBIT* and the Free Cash Flow on Group and Divisional level as metric for the performance measurement for the annual variable remuneration. RoCE is defined as EBIT* divided by average Capital Employed. Main Capital Employed drivers are Net Working Capital (mainly inventory plus receivables minus payables and advance payments) and Fixed Assets.

(ii) Setting of individual targets

The individual targets used for the determination of the annual variable remuneration are focused on cross-organisational collaboration and on compliance. Consequently, the expected management behaviours are defined by the EADS Leadership Competencies, which are based on company values and on lessons learned from the "EADS Engagement Survey".

The weight of the behavioural targets increases to up to 40% of the individual portion of the annual variable remuneration. Additionally, the weight of the classical operational targets are based on classical SMART (specific – measurable – achievable – realistic – clear timeline) objectives set at an individual, team or functional (up to Divisional) level. These operational targets amount to a minimum of 60% of the overall individual targets.

(iii) Performance spread

The performance spread (achievement level) of the annual variable remuneration is 0 - 200%. This is designed to enable the company to better recognize outstanding achievements of the businesses and of the individuals than in the past. The relative performance of Executives throughout the EADS organization is accompanied by a distribution policy in order to ensure a fair evaluation and to prevent unreasonable payments.

¹ Unless otherwise indicated, EBIT* figures presented in this report are Earning before Interest and Taxes, pre goodwill impairment and exceptionals.

4.3.1.2 Detailed remuneration policy

Non-Executive members of the Board of Directors

Each Non-Executive member of the Board of Directors receives an annual fixed fee of € 80,000, as well as a fee for participation in Board meetings of € 5,000 per meeting attended. The Chairman of the Board receives an annual fixed fee of € 180,000 for carrying out this role, as well as a fee for participation in Board meetings of € 10,000 per meeting attended.

The Chairmen of each of the Board Committees receive an additional annual fixed fee of € 30,000. The members of each of the Board Committees receive an additional annual fixed fee of € 20,000 for each Committee membership. Committee chairmanship and committee membership annual fees are cumulative if the concerned Non-Executive members of the Board belong to two different Committees.

Non-Executive members of the Board of Directors are not entitled to variable remuneration or grants under EADS' LTIPs.

Chief Executive Officer

The Chief Executive Officer, the sole Executive member of the Board of Directors, does not receive fees for participation in Board meetings or any dedicated compensation as member of the Board. Rather, the remuneration policy for the Chief Executive Officer for 2012 (as well as the other members of the Executive Committee) is designed to balance short term operational performance with the mid- and long term objectives of the company and consists of the following main elements:

Remuneration Element	Main drivers	Performance measures	% of total target remuneration/ % of vesting
Base salary	Rewards market value of job/position	Not applicable	Former EADS CEO Louis Gallois: 45% of total target remuneration EADS CEO Thomas Enders: 50% of total target remuneration (**) Other members of the Executive Committee: 50% of total target remuneration
Annual variable remuneration	Rewards annual performance based on achievement of company performance measures and individual/team objectives, including financial and non-financial targets and behaviours	Collective part (50% of target variable remuneration): EBIT (50%), Free Cash Flow (50%)	Former EADS CEO Louis Gallois: 55% of total target remuneration (range from 0% to 200%) EADS CEO Thomas Enders: 50% of total target remuneration (range from 0% to 200%) (**)
		Individual part (50% of target variable remuneration): achievement of annual individual objectives	Other members of the Executive Committee: 50% of total target remuneration (range from 0% to 200%)
Long term incentive plan	Rewards long term company performance and engagement on financial targets	The number of performance units which will vest is based on 3 year absolute average earnings per share at EADS level	Vested performance units will range from 50% to 150% of initial grant*

* In case of absolute negative results during the performance period, the Board of Directors can decide to review the vesting of the performance units including the 50% portion which is not subject to performance conditions (additional vesting condition).

** For Louis Gallois, former CEO of EADS, until May 31, 2012. For Thomas Enders, CEO of EADS, since June 1, 2012.

The individual performance targets of the Chief Executive Officer for 2012 were the "EADS Group Priorities for 2012". (See Chapter 2, "Summary 2012" of this document.) The Board of Directors determined that the performance of both CEOs towards these priorities has been excellent, impacting the Individual Part of the Annual Variable Remuneration (see description above). In that respect, the Board emphasised the determining influence of both CEOs on EADS' business achievements, the changes in the EADS governance structure, and their commitment towards the evolution of EADS' culture. Furthermore, the Board recognized also their commitment to risk management and compliance. The collective part of the Annual Variable Remuneration of the Chief Executive Officer for 2012 was determined on the basis of EADS Group stretched financial targets. These stretched targets (Reported EBIT* of € 2.5 bn and Free Cash Flow before customer financing and M&A of € 0.6 bn) were giving right to a 150% payout of the collective part of Annual Variable Remuneration.

With regards to the EBIT* criteria, the variable payout has been set from 0 to 200%: The spread of the EBIT* target (in percent of revenues) has been decided as being +/- 1,5% from the 100% target.

For the cash criteria (FCF), the same logic applies but with a +/-2.5% (percent of revenues) variation measurement against 100% target.

These targets have been established in the financial target setting process (see section 4.3.1.1. of this document) and have also been overachieved.

Furthermore, the Chief Executive Officer (as well as the other members of the Executive Committee) is entitled to pension and other benefits as described below.

Annual variable remuneration

Each year, variable remuneration in cash can be earned based on the achievement of specific and challenging targets, and is calculated on the basis of two equal components:

- ▶ Collective Financial Targets (representing 50% of the annual variable remuneration) to reward company performance at Group level or Division level (if applicable). EBIT* and Free Cash Flow are the financial indicators chosen to measure company performance in 2012 (EBIT* weighted at 50%, Free Cash Flow weighted at 50%); and
- ▶ Individual Targets (representing 50% of the annual variable remuneration) to reward individual performance measured against the achievement of individual/team objectives, which also comprise non-financial indicators that are relevant to the Company's long-term value creation and behavioural objectives.

Based on the level of performance, the collective as well as the individual achievement can vary from 0% to 200% of the target variable remuneration. An achievement of 100% for both individual and collective financial targets would indicate meeting personal and company performance targets.

As indicated in section 4.3.1.1, (i), for the setting of collective financial targets 2013, it has been decided to introduce the RoCE metric in addition to the EBIT* and Free Cash Flow on Group and Divisional level. The respective weight of the three components will be as follows: 45% EBIT*, 45% Free Cash Flow, 10% RoCE. In 2014, the weight of the RoCE criteria may further increase.

The EADS LTIP consists of performance units and restricted units, and is a general tool for talent retention and promotion of long-term value creation.

Performance units are rights to receive a payment in cash based on the value of the EADS share on the respective vesting dates. They are granted to Group executives based on their hierarchical level. Vesting of these units is conditional upon mid-term business performance. The average vesting period is 4 years and 3 months.

Restricted units are also rights to receive a payment in cash based on the value of the EADS share on the respective vesting dates. They are granted to selected individuals to reward personal performance and potential. Vesting of these units is subject to continued employment of the relevant individual in the Group.

Should the performance criteria be met and/or provided that the executive is still employed by the Company or any of its Group companies, the vesting of the Performance and Restricted units entitles the executives / selected individuals to four payments in cash between 3.5 and 5 years (average 4 years and 3 months); each payment representing 25% of the vested units. The Board of Directors decided in December 2012, that the vesting for EADS Executive Committee members will be to 50% to 75% of its value distributed in cash, and to 25% to 50% in an "unfunded share promise". This "unfunded share promise" will give EADS Executive Committee members the right to receive the corresponding number of EADS shares at the 4th vesting date of the EADS Performance and Restricted units plan vesting schedule.

A minimum of 50% of performance units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. Until and including LTIP 2009, the performance criteria has been the cumulative EADS Group EBIT* of 2 consecutive years measured against the targets set in the respective Operative Planning. Since LTIP 2010, the performance criteria changed to "3 years absolute average Earnings per share" of the EADS Group based on a specific target setting by the EADS Board of Directors.

In case of absolute negative results (cumulative EBIT* of EADS Group) during the performance period, the Board can decide to review the vesting of the Performance units including the 50% portion which is not subject to performance conditions (additional vesting condition).

In addition, and in order to strengthen the alignment of EADS top management with long-term growth objectives, the Board has requested that EADS Executive Committee members acquire and hold in the future – without specific delay – EADS shares in a value equal to their individual contractual “Total Target Remuneration”.

In December 2012, the Board approved the granting of 2,121,800 Performance units on target and 623,080 Restricted units to 1,797 EADS executives and selected non-executives.

The proposed 2013 LTIP would be a Performance and Restricted Unit Plan, with the same general principles as described above. The plan would offer the granting of about 4,000,000 (or more) Performance and Restricted units on target. This number of allocations will be strongly dependent on the number of beneficiaries and on the evolution of the share price used as calculation basis at grant date (face value methodology). The value of each unit would be based on an average price of the EADS share at the respective dates of vesting. The grant value of the Performance units granted to the Chief Executive Officer will not represent more than 50% of his total target remuneration.

The size of the annual EADS LTIP grant will be adjusted to reflect the face value policy decided by the Board of Directors for the different EADS executive categories at target level.

4.3.2 REMUNERATION OF THE MEMBERS OF THE BOARD

The amounts of the various components constituting the remuneration granted to the Chief Executive Officer and to Non-Executive Directors during 2012, together with additional information such as the number of performance units and details of the pension benefits entitlements of the Chief Executive Officer, are set out in “Notes to the Company Financial Statements - Note 11: Remuneration”.

They are summarised below as well:

Total remuneration and related compensation costs:

The total remuneration and related compensation costs of the members of the Board of Directors and former Directors related to 2012 and 2011 can be summarised as follows:

Non-Executive members of the Board of Directors (in €)	2012	2011
Fixed Fees*	1,158,335	1,170,000
Fees for participation in meetings	510,000	425,000

* The Fixed Fees related to 2011 were paid in 2012; the Fixed Fees related to 2012 will be paid in 2013.

Executive members of the Board of Directors (in €)	2012	2011
Base Salary Louis Gallois (January 1st to May 31st 2012)	412,500	990,000
Variable Pay (related to reporting period January 1st to May 31st 2012) including the part paid by EADS NV) Louis Gallois	830,615	1,993,475
Base Salary Thomas Enders (June 1st to December 31, 2012)	816,669	N/A
Variable Pay (related to reporting period June 1st to December 31st, 2012) including the part paid by EADS NV) Thomas Enders	1,278,083	N/A

The cash remuneration of the Non-Executive members of the Board of Directors related to 2012 was as follows:

2012	Fixed Fees* in €	Fees for participation in meetings in €	Total in €
Directors			
Bodo Uebber	157,500	55,000	212,500
Rolf Bartke	41,667	15,000	56,667
Dominique D'Hinnin	120,000	55,000	175,000
Juan Manuel Eguiagaray Ucelay	33,333	15,000	48,333
Arnaud Lagardère	164,167	80,000	244,167
Hermann-Josef Lamberti	130,000	50,000	180,000
Lakshmi N. Mittal	80,000	40,000	120,000
Sir John Parker	130,000	50,000	180,000
Michel Pébureau	100,000	40,000	140,000
Josep Piqué i Camps	46,667	35,000	81,667
Wilfried Porth	108,334	35,000	143,334
Jean-Claude Trichet	46,667	40,000	86,667
TOTAL	1,158,335	510,000	1,668,335

* The fixum will be paid in 2013

The cash remuneration of the Executive member of the Board of Directors related to 2012 was as follows:

2012	Base Salary in €	Variable Pay in € related to 2012
Directors		
Louis Gallois (January 1st to May 31 st 2012)	412,500	830,615
Thomas Enders (June 1 st to December 31, 2012)	816,669	1,278,083

Long term incentives

The table below gives an overview of the performance units granted to the Chief Executive Officer in 2012 pursuant to the LTIP:

	Unit plan: number of performance units*	
	Granted in 2012	Vesting dates
Thomas Enders	50,300	Vesting schedule is made up of 4 payments over 2 years: (i) 25% expected in May 2016; (ii) 25% expected in November 2016; (iii) 25% expected in May 2017; (iv) 25% expected in November 2017.

* Vesting of all Performance units granted to the Chief Executive Officer is subject to performance conditions.

No Long Term Incentive was granted to the former EADS CEO, Louis Gallois.

Pension benefits

The twelve members of the Executive Committee have pension promises as part of their employment agreements. The general policy is to give them annual pensions of 50% of their annual base salary upon reaching 5 years of service in the Executive Committee of EADS, payable once they reach retirement age.

These rights can gradually increase to 60% after a second term, usually after ten years of service in the EADS Executive Committee. However, in order to reach this 60% replacement ratio the respective member of the Executive Committee must also have 12 years of seniority within the Group.

These pension schemes have been implemented through collective executive pension plans in France and Germany. These pension promises have also separate rules e.g. for minimum length of service and other conditions to comply with national regulations.

The former Chief Executive Officer, Louis Gallois, has retired June 1, 2012, with a pension promise worth € 3,869,637 (defined benefit obligation (i.e. the book cash value)).

For the Chief Executive Officer, Thomas Enders, the amount of the pension defined benefit obligation (i.e. the book cash value) amounted to € 11,800,233 as of 31 December 2012, while the amount of current service and interest cost related to his pension promise accounted for the fiscal year 2012 represented an expense of € 1,000,769. This obligation has been accrued in the consolidated financial statements. Such higher defined benefit obligation for the company pension of Thomas Enders results from EADS Executive Committee pension policy as described above and takes into account (1) the seniority of Thomas Enders in EADS and its Executive Committee and (2) the significant lower public pension promise deriving from the German social security pension system, compared to public pensions resulting from the membership in the French public pension system. These above mentioned public pension promises are off-set positions, which reduce the ultimate pensions paid by the company.

Non-Executive members of the Board do not receive pension benefits.

Termination indemnity

As part of his mandate contract, the Chief Executive Officer is entitled to a termination indemnity when the departure results from a decision by the Company in case of change in control or change in the Company's strategy. Payment of the termination indemnity is also subject to performance conditions as fixed and assessed by the Board of Directors. The termination indemnity, if applicable, would amount to a maximum of 18 months of annual total target remuneration.

The former Chief Executive Officer, Louis Gallois, reached the age of 65 in 2009 and retired in 2012, without any payment of a termination indemnity. Non-Executive members of the Board of Directors do not have a termination indemnity.

Non-competition clause

A non-competition clause is included in the terms of the Chief Executive Officer's mandate, applicable for one-year starting at the end of the mandate contract, and renewable for another year at the Company's initiative. The clause envisages a compensation equal to 50% of the last target annual salary, defined as the base salary plus the last paid annual variable remuneration.

The application of the clause is subject to a Board of Directors decision.

The former Chief Executive Officer, Louis Gallois, has acknowledged EADS' expectations with regards to his non-competition clause when retiring. However, both EADS and Louis Gallois agreed not to formally enforce this non-competition clause hence no related payment has been made.

Other benefits

The Chief Executive Officer, Thomas Enders, is entitled to a company car. The residual value of his company car was worth € 57,134 (excluding VAT) as of 31 December 2012.

4.3.3 REMUNERATION OF THE MEMBERS OF THE EXECUTIVE COMMITTEE

The members of the Executive Committee, including the Chief Executive Officer, are entitled to receive for the year 2012 total remuneration (pro-rata for the period of membership in the Executive Committee, including base salaries, variable pay for 2012 and payments from EADS Long Term Incentive Plans) of € 26,712,896. The increase in total remuneration, compared to 2011, is largely due to the enlargement of the Executive Committee and to the payout on past Long Term Incentive Plans.

The remuneration for the former EADS Chief Executive Officer Louis Gallois was divided into 45% fixed part (base salary) and a 55% variable part (annual variable remuneration) on target and for the other members of the Executive Committee into a 50% fixed part (base salary) and a 50% variable part (annual variable remuneration) on target. Thomas Enders, EADS Chief Executive Officer, has a 50% fixed part (base salary) and a 50% variable part (annual variable remuneration) on target.

The total remuneration paid by EADS and all its Group companies to Louis Gallois, former Chief Executive Officer, during the year 2012, was € 1,243,115 (this sum includes the payments of his January to May 31st 2012 base salary of € 412,500 and the variable pay for 2012 of € 830,615). The total remuneration paid by EADS and all its Group companies to Thomas Enders, Chief Executive Officer, from June 1, 2012 to December 31, 2012, was € 2,696,264 (for that period, this sum includes the

payments of his base salary of € 816,669, the variable pay for 2012 of € 1,278,083 and payments from EADS Long Term Incentive Plans of € 601,512).

The members of the Executive Committee including the Chief Executive Officer receive the majority of their remuneration from their relevant national Group entity (under the terms of their employment or mandate contract) and the remaining part from EADS N.V. ("**NV compensation**", under the terms of the N.V. letter of agreement).

Besides Louis Gallois, former CEO of EADS, three Executive Committee members have left the EADS Executive Committee in 2012: Hans-Peter Ring, former CFO of EADS, Jussi Itavuori, former EADS Head of Human Resources and Stefan Zoller, former Head of the Cassidian Division. The total cumulated amount of severance payments made in the frame of EADS Group departures was € 3,132,162.

4.3.4 EMPLOYEE SHARE OWNERSHIP PLAN

EADS supports employee share ownership. Since its creation, EADS has regularly offered qualifying employees the opportunity to purchase EADS shares on favourable terms through employee share ownership plans ("**ESOP**").

In June 2012, EADS has invited employees of the Group to subscribe for EADS shares matched with free shares based on a defined ratio. This ratio varied depending on the number of shares acquired at fair market value by the employees, with a maximum discount of 50% for 10 shares acquired and a minimum of 21% discount for 400 shares acquired. The maximum number of shares an employee could acquire was fixed by the Board of Directors at 400 leading to 507 shares received by the employee. The discount percentage calculation refers to the share price reduction considering the number of shares acquired versus the initial investment.

In France, employees could subscribe their shares through a mutual fund ("**FCPE**") forming part of the Group Savings plan.

Non-Executive members of the Board were not eligible for free shares.

Future ESOP

The Company intends to implement an ESOP in 2013, subject to approval by the Board of Directors. The 2013 ESOP is expected to be a share matching plan whereby the company would match a certain number of directly acquired shares with a grant of free shares. The total offering would be up to approximately 3.2 million shares of the Company, i.e. up to 0.39% of its issued share capital, open to all qualifying employees (including the Chief Executive Officer). Under the umbrella of ESOP 2013, a dedicated UK tax saving plan (Share Incentive Plan – SIP) has been deployed in December 2012 subject to the decision of the Board of Directors in May 2013.

Non-Executive members of the Board are not eligible to participate in Future ESOP.

4.3.5 MISCELLANEOUS

Policy for loans and guarantees granted

EADS' general policy is not to grant any loan to the members of the Board of Directors. Unless the law provides otherwise, the members of the Board of Directors shall be reimbursed by the Company for various costs and expenses, like reasonable costs of defending claims. Under certain circumstances, such as an act or failure to act by a member of the Board of Directors that can be characterized as intentional, intentionally reckless, or seriously culpable, there will be no entitlement to this reimbursement. The company has also taken out liability insurance ("**D&O**" – Directors & Officers) for the persons concerned.

4.4 Ethics and Compliance Programme

The Board appointed the EADS Group Chief Compliance Officer ("**CCO**") to design and implement the EADS Ethics and Compliance Programme, which supports the Group's commitment to adhering to the highest ethical and compliance standards in order to sustain the Group's global competitiveness. The CCO heads the Group-wide compliance organisation which operations are overseen by the Audit Committee.

The EADS Ethics and Compliance Programme seeks to ensure that Group business practices conform to applicable laws and regulations as well as to ethical business principles endorsed by the Group. It also seeks to promote a culture of integrity and transparency. A key programme element consists of the Group Ethics Code, “Integrity & Transparency” (available on the Company’s website www.eads.com), which provides the daily behaviour of all EADS employees.

A compliance organisation and a resource network have been implemented throughout the Group, in a structure that balances proximity to day-to-day business activities with the necessary independence. Accordingly, compliance officers throughout the Group report both to management as well as to the compliance organisation. This is reflected at the very top of the hierarchy, with the EADS Group CCO reporting both to the Chief Executive Officer and the Audit Committee.

Compliance Officers appointed in each of EADS’ four Divisions as well as various Business Units are in charge of supporting employees to conduct business ethically and in accordance with the EADS Ethics and Compliance Programme. Chief Compliance Officers at the Divisions and Business Units must ensure that they have sufficient local resources to carry out their roles effectively, and report both to the EADS Group CCO and to the head of the relevant Division or Business Unit.

At Group level, permanent Compliance Officers are appointed where the main compliance risks exist, and are empowered to issue compliance directives applicable throughout the Group. The Group International Compliance Officer is in charge of developing and implementing EADS’ Business Ethics Policy and associated processes and guidelines to prevent corruption. The Group Export Compliance Officer seeks to ensure that the activities of the Group comply with all relevant export control rules and with the internal “sensitive countries” policy, while the Group Procurement Compliance Officer supervises compliance in the supply chain. The Group Data Protection Compliance Officer is in charge of more effectively addressing the compliance risks associated to the protection of data privacy in the Group.

In order to achieve the objectives set by the Chief Executive Officer and discussed with the Audit Committee, the EADS Group CCO has established compliance “roadmap” based on international standards. The roadmap provides an overview of compliance activities such as:

- A periodic assessment and reporting of the main compliance risks as part of the EADS ERM system;
- The monitoring of ethics and compliance policies;
- The empowerment of the Compliance organization and transparent reporting to the Audit Committee and discussions with the Executive Committee;
- The communication and training activities across the Group; and
- The investigation of compliance allegations and the functioning of the alert system, “OpenLine”, through which employees may raise ethical and compliance concerns in strict confidentiality and without fear of retaliation.

Due to regulatory requirements, alerts posted on the OpenLine may only be treated if they deal with accounting, financial, corruption and anti-competitive practices issues. The use of the OpenLine is limited to employees of all companies controlled by the Group and located in France, Germany, Spain and the UK. In 2012, relevant regulatory clearance was obtained for the reporting of issues related to conflict of interest, harassment, disclosure of confidential information and product safety as well as to expand the system to new countries. Implementation is subject to internal clearance. Taking into account EADS’ overall compliance strategy, EADS monitors the OpenLine system, organizes its deployment in additional countries and assesses the possibility of further broadening its scope to issues of a general and operational nature.

Programme progress reports are quarterly presented to the Board of Directors’ Audit Committee. Additionally, the EADS Group CCO established a bi-annual Compliance Report to the Audit Committee on compliance allegations. The report contains details on potentially significant compliance violations affecting the Group of which the CCO is currently aware, including the compliance allegations. See “Notes to the Consolidated Financial Statements (IFRS) — Note [32]: Litigation and claims”. Living up transparency across the Group, this report is shared with the Top Management.

In the future, EADS will continue to lead efforts to establish consistent global standards for compliance in the aerospace and defence industry, in particular business ethics including the zero tolerance to corruption commitment. Today, the European Common Industry Standards and the International Forum on Business Ethical Conduct are both among the most innovative sector-wide business ethics initiatives. As such industry standards become more consistent globally with a more level playing field for all. EADS will seek to turn its commitment to ethics and integrity into a sustainable competitive advantage.

4.5 Enterprise Risk Management System

Risk and opportunity management is of paramount importance to EADS, given the complex and volatile business environment in which EADS operates. A comprehensive set of risk and opportunity management procedures and activities across EADS makes up the EADS Enterprise Risk Management (“ERM”) system.

The objective of the ERM system is to create and preserve value for EADS’ stakeholders. It is designed and operated to effectively identify potential events that may affect EADS, manage risk to be within the defined risk tolerance, identify and manage opportunities, and provide reasonable assurance regarding the achievement of targets. To achieve this, EADS seeks to have one integrated, consistent, comprehensive, efficient and transparent ERM system, using the same understanding, practice and language. It seeks to embed the risk management philosophy into EADS culture, in order to make risk and opportunity management a regular and everyday process for employees.

The Board of Directors and EADS top management regard ERM as a key management process to steer the Company and enable management to effectively deal with risks and opportunities. The advanced ERM capabilities and organisation that EADS is seeking to progressively implement can provide a competitive advantage to the extent they successfully achieve the following:

- Strategy: the selection of high level strategic objectives, supporting the EADS vision and consistent with risk appetite;
- Operations: the effectiveness and efficiency of operations and resource allocation; the delivery of products on time and in accordance with cost and quality objectives; the capability to achieve performance and financial targets; the implementation of risk-enabled decisions and managerial processes;
- Reporting: reliability of reporting, in particular financial reporting; and
- Compliance: compliance with applicable laws and regulations.

ERM process

The objectives, principles and process for the ERM system as endorsed by the Board of Directors are set forth in the EADS ERM Policy and communicated throughout the Group. The EADS ERM Policy is supplemented by various manuals, guidelines, handbooks, etc. The ERM system is based on the Internal Control and Enterprise Risk Management Framework of the Committee of Sponsoring Organisations of the Treadway Commission (COSO II). External standards that contribute to the EADS ERM system include the Internal Control and ERM frameworks of COSO, as well as industry-specific standards as defined by the International Standards Organisation (ISO).

The ERM system comprises an integrated hierarchical bottom-up and top-down process to enable better management and transparency of risks and opportunities. At the top, the Board of Directors and the Audit Committee discuss major risks and opportunities, related risk responses and opportunity capture as well as the status of the ERM system, including significant changes and planned improvements. This is based on systematic bottom-up information including management judgement. The results are then fed back into the organisation. The design of the ERM system seeks to ensure compliance with applicable laws and regulations with respect to internal control (“IC”) and risk management (“RM”), addressing both subjects in parallel.

The ERM process consists of four elements: the operational process, which consists of a sequence of eight consistent, standardised components to enhance operational risk and opportunity management; the reporting process, which contains procedures for the status reporting of the ERM system and the risk/opportunity situation; the compliance process, which comprises procedures to substantiate the assessment of the effectiveness of the ERM system; and the support process, which includes procedures to increase the quality and provide further substantiation of the quality of the ERM system.

The ERM process applies to all possible sources of risks and opportunities, with both internal and external sources, quantifiable and unquantifiable, potentially affecting EADS in the short-, middle- and long-term. It also applies to all of EADS’ businesses, activities and departments. Management at each level discusses ERM when they run the business, as part of their decision-making and related activities. Accordingly, the ERM process is part of the management process and interrelated with other processes. The details of application of the ERM process vary with the risk appetite of management

and the size, structure and nature of the organisational unit, programme/project, department or process. Nonetheless, the fundamental principles of the EADS ERM Policy generally apply.

For a discussion of the main risks to which the Group is exposed, see "Risk Factors".

ERM governance and responsibility

The governance structure and related responsibilities for the ERM system are as follows:

- the Board of Directors supervises the design and effectiveness of the ERM system including management actions to mitigate the risks inherent in EADS' business activities. It discusses the major risks at least quarterly based on ERM reporting or as required depending on development of business risks. It is supported by the Audit Committee, which discusses at least yearly the activities with respect to the operation, design and effectiveness of the ERM system, as well as any significant changes and planned improvements prior to presentation to the full Board of Directors;
- the EADS Chief Executive Officer, backed by the Executive Committee, is responsible for an effective ERM system, the related internal environment (i.e. values, culture) and risk philosophy. He is supported by the EADS Chief Financial Officer who supervises the EADS Chief Risk Officer and the ERM system design and process implementation;
- the EADS Chief Risk Officer has primary responsibility for the ERM strategy, priorities, system design, culture development and reporting tool. He supervises the operation of the ERM system and is backed by a dedicated risk management organisation on Group and Division level, which actively seeks to reduce overall risk criticality. This risk management organisation is networked with the risk owners on the different organisational levels and pushes for a proactive risk management culture; and
- the executive management of the Divisions, Business Units and Headquarters' departments assume responsibility for the operation and monitoring of the ERM system in their respective area of responsibility. They seek to ensure transparency and effectiveness of the ERM system and adherence to its objectives. They take responsibility for the implementation of appropriate response activities to reduce probability and impact of risk exposures, and conversely for the implementation of appropriate responses to increase probability and impact of opportunities.

ERM effectiveness

The EADS ERM system needs to be effective. EADS has established recurring ERM self-assessment mechanisms, to be applied across EADS. This seeks to allow EADS to reasonably assure the effectiveness of its ERM system. The ERM effectiveness assurance comprises:

- ERM process: needs to be present and functioning throughout EADS without any material weaknesses and needs to fulfil the EADS ERM Policy requirements;
- risk appetite: needs to be in accordance with the EADS risk environment;
- ERM IC system: needs to have an effective IC system for the ERM process in place.

For the coverage of all of its activities, EADS has defined 20 high level business processes. In order to achieve ERM effectiveness, the ERM process as an overlaying process must be an integral part of these business processes. ERM effectiveness is assured if the achievement of the ERM process objectives is secured by adequate ERM controls which are operating effectively throughout the organisation and are within the respective risk appetite level.

Operating effectiveness is measured inter alia by assessing any potential major failings in the ERM system which have been discovered in the business year or any significant changes made to the ERM system.

The combination of the following controls is designed to achieve reasonable assurance about ERM effectiveness:

Organisation	ERM control with explanations
Board of Directors/Audit Committee	<p>Regular monitoring</p> <p>The Board of Directors and the Audit Committee review, monitor and supervise the ERM system.</p>
Top Management	<p>ERM top management discussions</p> <p>This control is an important step of the ERM compliance process. All results of the risk management, self-assessment and confirmation procedures are presented by the Divisions or Business Units to top management and discussed and challenged at EADS CEO/CFO level.</p>
Management	<p>ERM confirmation letter procedure</p> <p>Entities and processes/department heads that participate in the annual ERM compliance procedures need to sign ERM confirmation letters, especially on internal control effectiveness and deficiencies or weaknesses. The scope of participants is determined by aligning coverage of EADS business with management's risk appetite.</p>
ERM department	<p>ERM effectiveness measurement</p> <p>Assess ERM effectiveness by performing operational risk management for the ERM process, benchmarks, etc.</p>
Corporate Audit	<p>Audits on ERM</p> <p>Provide independent assurance to the Audit Committee on the effectiveness of the ERM system.</p>
Compliance	<p>Alert System</p> <p>Provide evidence for deficiencies of the ERM system.</p>

Developments in 2012 and outlook

Today, companies are operating in a more volatile risk environment than ever before. Mature risk management capabilities are therefore more critical, more strategic and overall more valuable. EADS seeks to deploy its ERM system effectively across the Group in order to mitigate risk and drive competitive advantage, and invests accordingly. The design of its ERM system has evolved towards a more homogeneous and performance-oriented management tool that is integrated into the business, with the following major achievements in 2012:

- regular monitoring took place by Board of Directors/Audit Committee: Board of Directors - 4times per year monitoring of the top Risks/Opportunities; AC - each January monitoring of the ERM System.
- strengthening of ERM foundations, with a progressive appreciation of ERM processes and development of a true risk culture;
- further roll-out of a dedicated Group-wide ERM IT tool;
- strong ERM contribution to improvement initiatives launched across the Group; and
- successful finalisation of year-end ERM compliance process, i.e. ERM confirmation letters were received from all relevant risk owners in Divisions, Business Units and Business Functions, and all ERM top management discussions took place

Generally, EADS seeks to continuously evaluate and improve the operating effectiveness of the ERM system. The Company will continue to use the recommendations from the internal audit department, which regularly reviews risk management of selected departments and business processes, to further strengthen its ERM system.

Board declaration - limitations

The Board of Directors believes to the best of its knowledge that the internal risk management and control system over financial reporting has worked properly in 2012 and provides reasonable assurance that the financial reporting does not contain any errors of material importance.

No matter how well designed, all ERM systems have inherent limitations, such as vulnerability to circumvention or management overrides of the controls in place. Consequently, no assurance can be given that EADS' ERM system and procedures are or will be, despite all care and effort, entirely effective.

4.6 Risk Factors

EADS is subject to many risks and uncertainties that may affect its financial performance. The business, results of operation or financial condition of EADS could be materially adversely affected by the risks described below. These are not the only risks EADS faces. Additional risks and uncertainties not presently known to EADS or that it currently considers immaterial may also impair its business and operations. For further information on these risks, please refer to EADS' Registration Document available on the Company's website (www.eads.com).

4.6.1 Financial market risks

Sovereign debt concerns

As a global company, EADS' operations and performance depend significantly on market and economic conditions in Europe, the US and the rest of the world. Market disruptions and significant economic downturns may develop quickly due to, among other things, crises affecting credit or liquidity markets, regional or global recessions, sharp fluctuations in commodity prices (including oil), currency exchange rates or interest rates, inflation or deflation, sovereign debt and bank debt rating downgrades, restructurings or defaults, or adverse geopolitical events (including those in the Middle East, North Africa and other regions). Any such disruption or downturn could affect EADS' activities for short or extended periods and have a negative effect on EADS' future results of operation and financial condition.

European financial markets have experienced significant disruptions as a result of concerns regarding the ability of certain countries in the euro-zone to reduce their budget deficits and refinance or repay their sovereign debt obligations as they come due. These disruptions have contributed to tightened credit markets, increased volatility in the exchange rate of the euro against other major currencies and considerable uncertainty regarding the near-term economic prospects of countries in the EU as well as the quality of loans to sovereign debtors and banks in the EU. More generally, the EU sovereign debt crisis has had an indirect impact on financial markets worldwide and, increasingly, on economic conditions in Europe and the rest of the world.

If economic conditions were to deteriorate, or if more pronounced market disruptions were to occur, there could be a new or incremental tightening in the credit markets, low liquidity, and extreme volatility in credit, currency and equity markets. This could have a number of effects on EADS' business, including:

- requests by customers to postpone or cancel orders for aircraft due to, among other things, lack of adequate credit supply from the market to finance aircraft purchases or weak levels of passenger demand for air travel and cargo activity more generally;
- an increase in the amount of sales financing that EADS must provide to its customers to support aircraft purchases, thereby increasing its exposure to the risk of customer defaults despite any security interests EADS might have in the underlying aircraft;
- further reductions in public spending for defence, homeland security and space activities, which go beyond those budget consolidation measures already proposed by governments around the world;

- financial instability, inability to obtain credit or insolvency of key suppliers and subcontractors, thereby impacting EADS' ability to meet its customer obligations in a satisfactory and timely manner;
- continued de-leveraging as well as mergers, rating downgrades and bankruptcies of banks or other financial institutions, resulting in a smaller universe of counterparties and lower availability of credit, which may in turn reduce the availability of bank guarantees needed by EADS for its businesses or restrict its ability to implement desired foreign currency hedges; and
- default of investment or derivative counterparties and other financial institutions, which could negatively impact EADS' treasury operations including the cash assets of EADS.

EADS' financial results could also be negatively affected depending on gains or losses realised on the sale or exchange of financial instruments; impairment charges resulting from revaluations of debt and equity securities and other investments; interest rates; cash balances; and changes in fair value of derivative instruments. Increased volatility in the financial markets and overall economic uncertainty would increase the risk of the actual amounts realised in the future on EADS' financial instruments differing significantly from the fair values currently assigned to them.

Foreign currency

A significant portion of EADS' revenues is denominated in US dollars, while a major portion of its costs is incurred in euro, and to a lesser extent, in pounds sterling. Consequently, to the extent that EADS does not use financial instruments to hedge its exposure resulting from this foreign currency mismatch, its profits will be affected by market changes in the exchange rate of the US dollar against these currencies. EADS' foreign currency hedging strategy may not protect it from significant changes in the exchange rate of the US dollar to the euro and the pound sterling, in particular over the longer-term, which could have a negative effect on its results of operation and financial condition. In addition, the portion of EADS' US dollar-denominated revenues that is not hedged in accordance with EADS' hedging strategy will be exposed to changes in exchange rates, which may be significant.

Sales financing

In support of sales, EADS may agree to participate in the financing of selected customers or guarantee part of the market value of certain aircraft during limited periods after their delivery to customers. As a result, EADS has a significant portfolio of leases and other financing arrangements with airlines and other customers. No assurances may be given that the measures taken by EADS to protect itself from defaults by its customers or significant decreases in the value of the financed aircraft in the resale market will be effective, which may have a negative effect on its future results of operation and financial condition.

Counterparty credit

In addition to the credit risk relating to sales financing as discussed above, EADS is exposed to credit risk to the extent of non-performance by its counterparties for financial instruments, such as hedging instruments and cash investments. There can be no assurance that EADS will not lose the benefit of certain derivatives or cash investments in case of a systemic market disruption. In such circumstances, the value and liquidity of these financial instruments could decline and result in a significant impairment, which may in turn have a negative effect on EADS' future results of operation and financial condition.

Equity investment portfolio

EADS holds several equity investments for industrial or strategic reasons, the business rationale for which may vary over the life of the investment. EADS is exposed to the risk of unexpected material adverse changes in the fair value of Dassault Aviation and that of other associated companies.

Pension commitments

EADS participates in several pension plans for both executive as well as non-executive employees, some of which are underfunded. Although EADS has recorded a provision in its balance sheet for its share of the underfunding based on current estimates, there can be no assurance that these estimates will not be revised upward in the future, leading EADS to record additional provisions in respect of such plans.

For further information relating to financial market risks and the ways in which EADS attempts to manage these risks, see “Notes to the Consolidated Financial Statements (IFRS) — Note [34A]: Financial risk management”.

Tax Issues

As a multinational group with operations in numerous jurisdictions and sales around the world, EADS is subject to tax legislation in a number of countries. EADS manages its business so as to create value from the synergies and commercial capacities of its different entities, and therefore endeavours to structure its operations and transactions in a tax-efficient manner. The structure of EADS’ organisation and of the transactions it enters into are based on its own interpretations of applicable tax laws and regulations, generally relying on opinions received from internal or independent tax counsel, and, to the extent necessary, on rulings or specific guidance from competent tax authorities. There can be no assurance that the tax authorities will not seek to challenge such interpretations, in which case EADS or its affiliates could become subject to tax claims. Moreover, the tax laws and regulations that apply to EADS’ business may be amended by the tax authorities—for example as a result of changes in fiscal circumstances or priorities—which could affect the overall tax efficiency of EADS. Any additional tax exposure could have a negative effect on EADS’ future results of operation and financial condition.

4.6.2 Business-related risks

Commercial aircraft market cyclicality

Historically, the market for commercial aircraft has shown cyclical trends, due in part to changes in passenger demand for air travel and cargo activity, which are in turn primarily influenced by economic or gross domestic product (“GDP”) growth. Other factors, however, play an important role in determining the market for commercial aircraft, such as (i) the average age and technical obsolescence of the fleet relative to new aircraft, (ii) the number and characteristics of aircraft taken out of service and parked pending potential return into service, (iii) passenger and freight load factors, (iv) airline pricing policies, (v) airline financial health and the availability of outside financing for aircraft purchases, (vi) deregulation and (vii) environmental constraints imposed upon aircraft operations. EADS expects that the market for commercial aircraft will continue to be cyclical, and that downturns in broad economic trends may have a negative effect on its future results of operation and financial condition.

Terrorism, pandemics and other catastrophic events

As past terrorist attacks (such as in New York and Madrid) and the spread of pandemics (such as H1N1 flu) have demonstrated, terrorism and pandemics may negatively affect public perception of air travel safety and comfort, which may in turn reduce demand for air travel and commercial aircraft. The outbreak of wars, riots or political unrest in a given region may also affect the willingness of the public to travel by air. Furthermore, major airplane crashes may have a negative effect on the public’s or regulators’ perceptions of the safety of a given class of aircraft, form of design, airline or air traffic. As a result of terrorism, geopolitical instability, pandemics and other catastrophic events, an airline may be confronted with sudden reduced demand for air travel and be compelled to take costly security and safety measures. In response to such events, and the resulting negative impact on the airline industry or particular airlines, EADS may suffer from a decline in demand for all or certain types of its aircraft or other products, and EADS’ customers may postpone delivery or cancel orders.

In addition to affecting demand for its products, the occurrence of catastrophic events could disrupt EADS’ internal operations or its ability to deliver products and services to customers. Disruptions may be related to threats to physical security and infrastructure, information technology or cyber-attacks or failures, damaging weather or acts of nature and other crises. Any significant production delays, or any destruction, manipulation, theft or improper use of EADS’ data, information systems or

networks could have a significant adverse effect on EADS' future results of operations and financial condition as well as on the reputation of EADS and its products and services.

Dependence on key suppliers and subcontractors

EADS is dependent on numerous key suppliers and subcontractors to provide it with the raw materials, parts and assemblies that it needs to manufacture its products. Certain of these suppliers may experience financial or other difficulties in the future, in particular those with a significant foreign currency mismatch between revenues denominated in US dollars and a substantial portion of costs incurred in euro. Depending on the severity of these difficulties, some suppliers could be forced to reduce their output, shut down their operations or file for bankruptcy protection, which could disrupt the supply of materials and parts to EADS. It may be difficult for EADS to find a replacement for certain suppliers or subcontractors without significant delay, thereby impacting its ability to meet its customer obligations in a satisfactory and timely manner. These events could in turn have a negative impact on EADS' future results of operation and financial condition. To the extent that EADS decides in the future to provide financial or other assistance to certain suppliers in financial difficulty in order to ensure an uninterrupted supply of materials and parts, it could be exposed to credit risk on the part of such suppliers.

Finally, if the macro-economic environment leads to higher than historic average inflation, the labour and procurement costs of EADS may increase significantly in the future. This may lead to higher component and production costs which could in turn negatively impact EADS' future profitability and cash flows, to the extent EADS is unable to pass these costs on to its customers or require its suppliers to absorb such costs. EADS' suppliers or subcontractors may also make claims or assertions against it for higher prices or other contractual compensation, in particular in the event of significant changes to development or production schedules, which could negatively affect EADS' future profitability.

Industrial ramp-up

As a result of the large number of new orders for aircraft recorded in recent years, EADS intends to accelerate its production in order to meet the agreed upon delivery schedules for such new aircraft (including helicopters). As it nears full capacity, EADS' ability to further increase its production rate will be dependent upon a variety of factors, including execution of internal performance plans, availability of raw materials, parts (such as aluminium, titanium and composites) and skilled employees given high demand by EADS and its competitors, conversion of raw materials into parts and assemblies, and performance by suppliers and subcontractors (particularly suppliers of buyer-furnished equipment) who may experience resource or financial constraints due to ramp-up. Management of such factors is also complicated by the development of new aircraft programmes in parallel, in particular at Airbus, which carry their own resource demands. Therefore, the failure of any or all of these factors could lead to missed delivery commitments, and depending on the length of delay in meeting delivery commitments, could lead to additional costs and customers' rescheduling or terminating their orders.

Technologically advanced products and services

EADS offers its customers products and services that are technologically advanced, the design and manufacturing of which can be complex and require substantial integration and coordination along the supply chain. In addition, most of EADS' products must function under demanding operating conditions. Even though EADS believes it employs sophisticated design, manufacturing and testing practices, there can be no assurance that EADS' products or services will be successfully developed, manufactured or operated or that they will perform as intended.

Certain of EADS' contracts require it to forfeit part of its expected profit, to receive reduced payments, to provide a replacement launch or other products or services, to provide cancellation rights, or to reduce the price of subsequent sales to the same customer if its products fail to be delivered on time or to perform adequately. No assurances can be given that performance penalties or contract cancellations will not be imposed should EADS fail to meet delivery schedules or other measures of contract performance – in particular with respect to new development programmes such as the A350 XWB or the A400M. (See "Programme-Specific Risks" below)

In addition to the risk of contract cancellations, EADS may also incur significant costs or loss of revenues in connection with the remedial action required to correct any performance issues detected in its products or services. Any significant problems with the development, manufacturing, operation or performance of EADS' products and services could have a significant

adverse effect on EADS' future results of operations and financial condition as well as on the reputation of EADS and its products and services.

Dependence on public spending and certain markets

In any single market, public spending (including defence and security spending) depends on a complex mix of geopolitical considerations and budgetary constraints, and may therefore be subject to significant fluctuations from year to year and country to country. Due to the overall economic environment and competing budget priorities, several countries have sought recently to reduce their level of public spending. This is especially true with respect to defence and security budgets, where certain countries have either proposed or already implemented substantial reductions. Any termination or reduction of future funding or cancellations or delays impacting existing contracts may have a negative effect on EADS' future results of operations and financial condition. In the case where several countries undertake to enter together into defence or other procurement contracts, economic, political or budgetary constraints in any one of these countries may have a negative effect on the ability of EADS to enter into or perform such contracts.

Further, a significant portion of EADS' backlog is concentrated in certain regions or countries, including the US, China, India and the United Arab Emirates. Adverse economic and political conditions as well as downturns in broad economic trends in these countries or regions may have a negative effect on EADS' future results of operation and financial condition.

Availability of government and other sources of financing

In prior years, EADS and its principal competitors have each received different types of government financing of product research and development. However, no assurances can be given that government financing will continue to be made available in the future. Moreover, the availability of other outside sources of financing will depend on a variety of factors such as market conditions, the general availability of credit, EADS' credit ratings, as well as the possibility that lenders or investors could develop a negative perception of EADS' long- or short-term financial prospects if it incurred large losses or if the level of its business activity decreased due to an economic downturn. EADS may therefore not be able to successfully obtain additional outside financing on favourable terms, or at all, which may limit EADS' future ability to make capital expenditures, fully carry out its research and development efforts and fund operations.

Competition and market access

The markets in which EADS operates are highly competitive. There can be no assurance that EADS will be able to compete successfully against its current or future competitors or that the competitive pressures it faces in all business areas will not result in reduced revenues or market share.

Major research and development programmes

The business environment in many of EADS' principal operating business segments is characterised by extensive research and development costs requiring significant up-front investments with a high level of complexity. The business plans underlying such investments often contemplate a long payback period before these investments are recouped, and assume a certain level of return over the course of this period in order to justify the initial investment. There can be no assurances that the commercial, technical and market assumptions underlying such business plans will be met, and consequently, the payback period or returns contemplated therein achieved.

Restructuring, transformation and cost saving programmes

In order to improve competitiveness, offset rising procurement costs and achieve profitability targets, among other things, EADS and its Divisions have launched several restructuring, transformation and cost saving programmes over the past several years. These include Group-wide programmes such as "Future EADS", as well as Division-specific programmes such as "AGILE" at Astrium, and "Simplify" at Cassidian.

Anticipated cost savings under these programmes are based on estimates, however, and actual savings under these programmes may vary significantly. In particular, EADS' cost reduction measures are based on current conditions and do not take into account any future cost increases that could result from changes in its industry or operations, including new business developments, wage and cost increases or other factors. EADS' failure to successfully implement these planned cost reduction measures, or the possibility that these efforts may not generate the level of cost savings it expects going forward, could negatively affect its future results of operation and financial condition.

Acquisitions, joint ventures & strategic alliances

As part of its business strategy, EADS may acquire businesses and form joint ventures or strategic alliances. Acquisitions are inherently risky because of difficulties that may arise when integrating people, operations, technologies and products. There can be no assurance that any of the businesses that EADS acquires can be integrated successfully and as timely as originally planned or that they will perform well and deliver the expected synergies once integrated. In addition, EADS may incur significant acquisition, administrative and other costs in connection with these transactions, including costs related to integration of acquired businesses. While EADS believes that it has established appropriate and adequate procedures and processes to mitigate these risks, there is no assurance that these transactions will be successful.

Public-private partnerships and private finance initiatives

Defence customers, particularly in the UK, increasingly request proposals and grant contracts under schemes known as public-private partnerships ("PPPs") or private finance initiatives ("PFIs"). There can be no assurances of the extent to which EADS will efficiently and effectively (i) compete for future PFI or PPP programmes, (ii) administer the services contemplated under the contracts, (iii) finance the acquisition of the equipment and the on-going provision of services related thereto, or (iv) access the markets for the commercialisation of excess capacity. EADS may also encounter unexpected political, budgetary, regulatory or competitive risks over the long duration of PPP and PFI programmes.

Programme-specific risks

In addition to the risk factors mentioned above, EADS also faces the following programme-specific risks (while this list does not purport to be comprehensive, it highlights the current risks believed to be material by management):

- **A350 XWB programme.** In connection with the A350 XWB programme, EADS faces the following main challenges: ensuring the maturity of technology linked to the use of composite materials; meeting the technical performance targets for the aircraft and respecting the development schedule; ensuring the production ramp-up and the ramp-up of key skilled personnel, e.g. for composite stress and design; securing the achievement of recurring cost targets; ensuring the performance of the risk sharing partners, including those selected for sites divested by Airbus and those involved in the extended enterprise framework; maintaining customer satisfaction with a new customisation policy which is a key enabler for the production ramp-up; managing customer contracts in coherence with the industrial delivery plan; and ensuring a successful A350-1000 industrial phase.
- **A380 programme.** In connection with the A380 programme, EADS faces the following main challenges: management of stress in the supply chain as a result of the steep ramp-up in production in coming years; making continued improvements to lower the resources and costs associated with designing each customised "head of version" aircraft for new customers, in order to allow a higher number of heads of version to be completed each year; managing maturity in service; and mastering the root causes of, and launching the required action to fix, the hairline cracks discovered in the wing rib feet of certain A380 aircraft, and limiting associated costs to repair costs only. Additionally, commercial activity is focused on booking additional sales, in order to secure a minimum of 30 deliveries in 2015.
- **A400M programme.** In connection with the A400M programme, EADS faces the following main challenges: finalising the last development tests and associated documentation to enable both civil and military certification and

qualification requirements (initial operating clearance (IOC)); finishing development of a full set of in-service support goods and services that deliver mission success to programme customers; preparing entry into service of the first aircraft together with the necessary set of support elements; pursuing further aircraft development (engine, cargo systems, military systems); managing the anticipated difficulties on the production ramp-up concurrently with the delivery of progressively enhanced aircraft capabilities (standard operational clearance (SOC1 to 3)); and meeting the contractual time schedule for the next programme milestones.

- **A320neo programme.** In connection with the A320neo programme, EADS faces the following main challenges: management of stress in the supply chain as a result of the industrial ramp-up; meeting the engine development status, including performance targets, and its schedule; and ensuring the availability of skilled personnel for the programme.
- **NH90 and Tiger programmes.** In connection with the NH90 and Tiger programmes, EADS faces the following main challenges: continuing to proceed with the industrial ramp-up on the NH90 programme including retrofits; mastering the contract renegotiations with governments and addressing requests to reduce contractually binding orders; and assuring support readiness in connection with multiple fleets entering into service.
- **EC225 programme.** In connection with the EC225 programme, EADS faces the following main challenges: working on the root causes of the main gear box shaft failure that occurred during two incidents in 2012, in close coordination with oil and gas operators and customers, while respecting the confidentiality of the official accident investigation; dealing with interim corrective measures to put the fleet back into flight operation; potential subsequent redesign in the main gear box: retrofits and claims.
- **Lead systems integration.** In connection with lead systems integration projects (in particular Saudi border surveillance contract and National Security Shield Qatar), EADS faces the following main challenges: meeting the schedule and cost objectives with a high number of sites with complex local infrastructure to deliver and the integration of COTS products (radars, cameras, sensors) with their interfaces into the system; assuring an efficient project and staffing ramp-up; and managing the rollout including subcontractors as well as training and organisational adaptation of the customer.

4.6.3 Legal risks

Dependence on joint ventures and minority holdings

EADS generates a substantial proportion of its revenues through various consortia, joint ventures and equity holdings. While EADS seeks to participate only in ventures in which its interests are aligned with those of its partners, the risk of disagreement or deadlock is inherent in a jointly controlled entity, particularly in those entities that require the unanimous consent of all members with regard to major decisions and specify limited exit rights. The other parties in these entities may also be competitors of EADS, and thus may have interests that differ from those of EADS.

Product liability and warranty claims

EADS designs, develops and produces a number of high profile products of large individual value, particularly civil and military aircraft and space equipment. EADS is subject to the risk of product liability and warranty claims in the event that any of its products fails to perform as designed. While EADS believes that its insurance programmes are adequate to protect it from such liabilities, no assurances can be given that claims will not arise in the future or that such insurance cover will be adequate.

Intellectual property

EADS relies upon patent, copyright, trademark and trade secret laws, and agreements with its employees, customers, suppliers and other parties, to establish and maintain its intellectual property rights in technology and products used in its operations. Despite these efforts to protect its intellectual property rights, any of EADS' direct or indirect intellectual property

rights could be challenged, invalidated or circumvented. In addition, although EADS believes that it lawfully complies with the intellectual property rights granted to others, it has been accused of infringement on occasion and could have additional claims asserted against it in the future. These claims could harm its reputation, cost it money and prevent it from offering certain products or services. Any claims or litigation in this area, whether EADS ultimately wins or loses, could be time-consuming and costly, injure EADS' reputation or require it to enter into licensing arrangements. EADS might not be able to enter into these licensing arrangements on acceptable terms. If a claim of infringement were successful against it, an injunction might be ordered against EADS, causing further damages.

Export controls and other laws and regulations

The export market is a significant market for EADS. There can be no assurance (i) that the export controls to which EADS is subject will not become more restrictive, (ii) that new generations of EADS products will not also be subject to similar or more stringent controls or (iii) that geopolitical factors or changing international circumstances will not make it impossible to obtain export licenses for one or more clients or constrain EADS' ability to perform under previously signed contracts. EADS is also subject to a variety of other laws and regulations, including among others, those relating to commercial relationships, the use of its products and anti-bribery provisions. Although EADS seeks to comply with all such laws and regulations, even unintentional violations or a failure to comply could result in administrative, civil or criminal liabilities resulting in significant fines and penalties or result in the suspension or debarment of EADS from government contracts for some period of time or suspension of EADS' export privileges.

In addition, EADS is sometimes subject to government inquiries and investigations of its business and competitive environment due, among other things, to the heavily regulated nature of its industry. Any such inquiry or investigation could result in an unfavourable ruling against EADS, which could have a negative effect on its business, results of operation and financial condition.

Legal and regulatory proceedings

EADS is currently engaged in a number of active legal and regulatory proceedings. See "Notes to the Consolidated Financial Statements (IFRS) — Note [32]: Litigation and claims". EADS expects to continue to incur time and expenses associated with its defence, regardless of the outcome, and this may divert the efforts and attention of management from normal business operations. Although EADS is unable to predict the outcome of these proceedings, it is possible that they will result in the imposition of damages, fines or other remedies, which could have a negative effect on EADS' business, results of operation and financial condition. An unfavourable ruling could also negatively impact EADS' stock price and reputation.

4.6.4 Industrial and environmental risks

Given the scope of its activities and the industries in which it operates, EADS is subject to stringent environmental, health and safety laws and regulations in numerous jurisdictions around the world. EADS therefore incurs, and expects to continue to incur, significant capital expenditure and other operating costs to comply with increasingly complex laws and regulations covering the protection of the natural environment as well as occupational health and safety. In addition, the various products manufactured and sold by EADS must comply with relevant environmental, health and safety and substances / preparations related laws and regulations in the jurisdictions in which they operate. In the event of an accident or other serious incident, EADS may be required to conduct investigations and undertake remedial activities. Employees, customers and other third parties may also file claims for personal injury, property damage or damage to the environment (including natural resources). Any problems in this respect may also have a significant adverse effect on the reputation of EADS and its products and services.

5. Financial performances and Other Corporate Activities

EADS' Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

5.1 Consolidated Financial Statements ("IFRS")

5.1.1 Consolidated Income Statement ("IFRS")

Table 1 – Consolidated Income Statement (IFRS)

in millions of €	2012	2011
Revenues	56,480	49,128
Cost of sales	(48,545)	(42,285)
Gross margin	7,935	6,843
Selling expenses	(1,192)	(981)
Administrative expenses	(1,672)	(1,427)
Research and development expenses	(3,142)	(3,152)
Other income	184	359
Other expenses	(229)	(221)
Share of profit from associates under the equity method	241	164
Other income from investments	6	28
Profit before finance costs and income taxes	2,131	1,613
Total finance costs	(453)	(220)
Income taxes	(449)	(356)
Profit for the period	1,229	1,037
Attributable to:		
Equity owners of the parent (Net income)	1,228	1,033
Non-controlling interests	1	4

5.1.2 Revenues

For the full year 2012, EADS' revenues increased by 15% to € 56.5 billion (FY 2011: € 49.1 billion). This strong performance was driven mainly by higher volume and more favourable U.S. dollar rates at Airbus Commercial as well as solid increases at Eurocopter and Astrium. Revenues at Eurocopter and Astrium were boosted by the services businesses, including Vector Aerospace and Vizada. The companies acquired in 2011 contributed around € 1.5 billion to the 2012 revenues. Despite the overall defence environment, defence revenues were flat compared to 2011.

5.1.3 EBIT pre goodwill impairment and exceptionals

EADS uses EBIT pre goodwill impairment and exceptionals as a key indicator of its economic performance. The term "exceptionals" refers to such items as depreciation expenses of fair value adjustments relating to the EADS merger, the Airbus combination and the formation of MBDA, as well as impairment charges thereon. In the following, EBIT pre goodwill impairment and exceptionals is earmarked as EBIT*.

Table 2 – Reconciliation Profit before finance costs and income taxes to EBIT* (IFRS)

(in millions of €)	2012	2011
Profit before finance costs and income taxes	2,131	1,613
Disposal and impairment of goodwill	17	42
Exceptional depreciation and disposal	38	41
EBIT pre goodwill impairment and exceptionals	2,186	1,696

EADS' reported EBIT* increased to € 2,186 million (FY 2011: € 1,696 million) with one-off charges totalling € 820 million booked during the year.

Of these total one-off charges, € 522 million were booked at Airbus during 2012, including the anticipated € 251 million on the A380 related to the wing rib feet repair. The A350 XWB charge of € 124 million to reflect the latest programme update is unchanged since H1 2012. Good progress is being made on the A350 XWB programme but it remains challenging and there is no room left in the schedule. Also included are the € 76 million charges related to the Hawker Beechcraft Programme closure booked in the third quarter and a € 71 million charge for the foreign exchange impact on pre-delivery payments mismatch and balance sheet revaluation. At Eurocopter, the on-going renegotiation of certain contracts for governmental customers resulted in a € 100 million charge in the fourth quarter. At Cassidian, a total of € 198 million of charges were booked in the final quarter to reflect restructuring costs in line with the business transformation (€ 98 million) and a charge related to portfolio de-risking (€ 100 million), in particular for the secure systems and solutions business.

EBIT* before one-off (adjusted EBIT*) – an indicator capturing the underlying business margin by excluding material non-recurring charges or profits caused by movements in provisions related to programmes and restructurings or foreign exchange impacts – increased sharply to € 3.0 billion (FY 2011: € 1.8 billion) for EADS and to around € 1.8 billion for Airbus (FY 2011: around € 0.5 billion). The Group performance was driven by the strong underlying performance at Airbus Commercial while Eurocopter and Astrium also delivered absolute increases to the EBIT* before one-off.

Net Income increased by 19% to € 1,228 million (FY 2011: € 1,033 million), or earnings per share of € 1.50 (earnings per share FY 2011: € 1.27). The Net Income* before one-off increased to € 1,838 million (FY 2011: € 1,132 million). These increases reflect the improvement in the underlying operating performance. Net Income before one-off is the Net Income stripped of the EBIT* one-offs. It excludes other financial result (except the unwinding of discount on provisions) and all tax effects on the mentioned items. Net Income* before one-off is the Net Income before one-off pre-goodwill and exceptionals net of tax.

The finance result amounted to € -453 million (FY 2011: € -220 million). The 2012 interest result of € -285 million (FY 2011: € 13 million) deteriorated partly due to lower interest income as a function of the high quality of investments. In addition, the 2011 interest result included a positive one-time release of € 120 million due to the termination of the A340 programme. The other financial result amounts to € -168 million (FY 2011: € -233 million), reflecting an improved impact from the foreign exchange revaluation compared to 2011. This line also includes the unwinding of discounted provisions.

Table 3 – EBIT* and Revenues by Division

by Division (Amounts in millions of Euro)	EBIT*			Revenues		
	FY 2012	FY 2011	Change	FY 2012	FY 2011	Change
Airbus Division (1)	1,230	584	+111%	38,592	33,103	+17%
Airbus Commercial	1,125	543	+107%	36,943	31,159	+19%
Airbus Military	93	49	+90%	2,131	2,504	-15%
Eurocopter	311	259	+20%	6,264	5,415	+16%
Astrium	312	267	+17%	5,817	4,964	+17%
Cassidian	142	331	-57%	5,740	5,803	-1%
Headquarters / Consolidation	142	196	-	-1,457	-1,409	-
Other Businesses	49	59	-17%	1,524	1,252	+22%
Total	2,186	1,696	+29%	56,480	49,128	+15%

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals

1) The reportable segments Airbus Commercial and Airbus Military form the Airbus Division. Eliminations are treated at the Division level.

5.1.4 Consolidated Statements of Financial Position (“IFRS”)

Table 4 – Consolidated Statements of Financial Position (IFRS)

in millions of €	December 31		Change
	2012	2011	
Intangible Assets *)	13,422	12,786	636
Property, Plant and Equipment*)	15,268	14,220	1,048
Investments in associates under the equity method	2,662	2,677	-15
Other investments and other long-term financial assets*)	2,115	2,352	-237
Other non-current assets	2,801	1,884	917
Deferred tax assets*)	4,518	4,318	200
Non-current securities	5,987	7,229	-1,242
Non-current assets	46,773	45,466	1,307
Inventories	23,216	22,563	653
Trade receivables*)	6,790	6,394	396
Other current assets	4,239	4,503	-264
Current securities	2,328	4,272	-1,944
Cash and cash equivalents	8,756	5,284	3,472
Current assets	45,329	43,016	2,313
Total assets	92,102	88,482	3,620
Equity attributable to equity owners of the parent	10,409	8,850	1,559
Non-controlling interests*)	25	15	10
Total equity	10,434	8,865	1,569
Non-current provisions*)	9,816	9,144	672
Long-term financing liabilities	3,506	3,628	-122
Deferred tax liabilities*)	1,504	1,043	461
Other non-current liabilities*)	18,194	18,300	-106
Non-current liabilities	33,020	32,115	905
Current provisions*)	6,045	5,856	189
Short-term financing liabilities	1,273	1,476	-203
Trade liabilities*)	9,917	9,630	287
Current tax liabilities	458	308	150
Other current liabilities	30,955	30,232	723
Current liabilities	48,648	47,502	1,146
Total equity and liabilities	92,102	88,482	3,620

*) Comparative information is adjusted retrospectively in accordance with IFRS 3.45. Main changes comprise: Intangible assets by € +41 million, property, plant and equipment by € -13 million, other investments and long-term financial assets by € -26 million, non-controlling interests by € -5 million and non-current provisions by € +19 million.

Non-current assets

Intangible assets of € 13,422 million (prior year-end, adjusted: € 12,786 million) include € 11,003 million (prior year-end, adjusted: € 10,812 million) of goodwill. This mainly relates to Airbus Commercial (€ 6,670 million), Cassidian (€ 2,711 million), Astrium (€ 1,236 million) and Eurocopter (€ 323 million). The annual impairment tests, which were performed in the fourth quarter, led to an impairment charge of € 17 million in Other Businesses. Capitalization for development costs of the A350 XWB programme started in the second quarter 2012. Since 1 April 2012, a total amount of € 366 million was capitalized.

Eliminating foreign exchange-rate effects of € +44 million, property, plant and equipment increase by € +1,004 million to € 15,268 million (prior year-end, adjusted: € 14,220 million), including leased assets of € 576 million (prior year-end: € 574 million). The increase is mainly driven by the A350 programme. Property, plant and equipment also comprise "Investment property" amounting to € 72 million (prior year-end: € 74 million).

Investments in associates under the equity method of € 2,662 million (prior year-end: € 2,677 million) mainly include the equity investment in Dassault Aviation. The equity investment in Dassault Aviation includes an IFRS catch-up adjustment for income and other comprehensive income relating to prior period. The 30 June 2012 equity components have been used to estimate the 2012 year-end consolidated equity position of Dassault Aviation.

Other investments and other long-term financial assets of € 2,115 million (prior year-end, adjusted: € 2,352 million) are related to Airbus for an amount of € 1,273 million (prior year-end: € 1,659 million), mainly concerning the non-current portion of aircraft financing activities.

Other non-current assets mainly comprise non-current derivative financial instruments and non-current prepaid expenses. The increase by € +917 million to € 2,801 million (prior year-end: € 1,884 million) is mainly caused by the positive variation of the non-current portion of fair values of derivative financial instruments (€ +711 million).

Deferred tax assets increase by € +200 million to € 4,518 million (prior year-end, adjusted: € 4,318 million).

The fair values of derivative financial instruments are included in other non-current assets (€ 1,197 million, prior year-end: € 486 million), in other current assets (€ 321 million, prior year-end: € 404 million), in other non-current liabilities (€ 1,159 million, prior year-end: € 2,140 million) and in other current liabilities (€ 852 million, prior year-end: € 995 million) which corresponds to a total net fair value of € -493 million (prior year-end: € -2,245 million). The volume of hedged US dollar contracts increases from USD 75.1 billion as at 31 December 2011 to USD 83.6 billion as at 31 December 2012. The US dollar spot rate is USD/ € 1.32 at 31 December 2012 vs. 1.29 at 31 December 2011. The average US dollar hedge rate for the hedge portfolio of the Group improves from USD/ € 1.37 as at 31 December 2011 to USD/ € 1.35 as at 31 December 2012.

Current assets

Inventories of € 23,216 million (prior year-end: € 22,563 million) increase by € +653 million. This is mainly driven by higher unfinished goods and services at Airbus (€ +724 million) and Eurocopter (€ +195 million) programmes, partly offset by Cassidian (€ -131 million) and Astrium (€ -75 million).

Trade receivables increase by € +396 million to € 6,790 million (prior year-end, adjusted: € 6,394 million), mainly caused by Airbus (€ +214 million), Eurocopter (€ +145 million) and Astrium (€ +60 million).

Other current assets include "Current portion of other long-term financial assets", "Current other financial assets", "Current other assets" and "Current tax assets". The decrease of € -264 million to € 4,239 million (prior year-end: € 4,503 million) comprises among others a decrease of VAT receivables (€ -129 million) and of receivables from related parties (€ -114 million).

Cash and cash equivalents increase from € 5,284 million to € 8,756 million.

Total equity

Equity attributable to equity owners of the parent (including purchased treasury shares) amounts to € 10,409 million (prior year-end: € 8,850 million). The increase is mainly due to a net income of € +1,228 million and other comprehensive income of € +589 million, partly compensated by a cash distribution to shareholders of € -369 million.

Non-controlling interests increase to € 25 million (prior year-end, adjusted: € 15 million).

Non-current liabilities

Non-current provisions of € 9,816 million (prior year-end, adjusted: € 9,144 million) include the non-current portion of pension provisions with an increase of € +493 million to € 6,121 million (prior year-end: € 5,628 million), which is partly offset by additional funding to plan assets. Compared to year-end 2011, the discount rates applied to the calculation of pension provisions decrease from 4.5 % to 3.7 % (Germany), from 4.75 % to 3.5 % (France) and from 4.8 % to 4.5 % (UK), leading to an increase of the pension provision with a corresponding effect in deferred tax assets and actuarial losses in equity.

Moreover, other provisions are included in non-current provisions, which increase by € +179 million to € 3,695 million (prior year-end, adjusted: € 3,516 million). This mainly reflects the increase of the onerous contract provision for the A350 XWB, where a charge of € 124 million has been recorded in the first half-year 2012.

Long-term financing liabilities, mainly comprising bonds and liabilities to financial institutions, decrease by € -122 million to € 3,506 million (prior year-end: € 3,628 million).

Other non-current liabilities, comprising "Non-current other financial liabilities", "Non-current other liabilities" and "Non-current deferred income", decrease in total by € -106 million to € 18,194 million (prior year-end, adjusted: € 18,300 million), mainly due to a decrease of fair values for financial instruments (€ -981 million), mostly offset by higher advance payments received (€ +625 million) and an increase in refundable government advances (€ +228 million).

Current liabilities

Current provisions increase by € +189 million to € 6,045 million (prior year-end, adjusted: € 5,856 million) and comprise the current portions of pensions (€ 312 million) and of other provisions (€ 5,733 million).

Trade liabilities increase by € +287 million to € 9,917 million (prior year-end: € 9,630 million), mainly at Airbus (€ +599 million) and at Eurocopter (€ +336 million), partly offset by Astrium (€ -410 million) and Cassidian (€ -259 million).

Other current liabilities include "Current other financial liabilities", "Current other liabilities" and "Current deferred income". They increase by € +723 million to € 30,955 million (prior year-end: € 30,232 million). Other current liabilities mainly comprise current customer advance payments of € 25,333 million (prior year-end: € 25,006 million), increasing by € +327 million.

5.1.5 Net Cash

EADS' Net Cash position increased to a solid € 12.3 billion (year-end 2011: € 11.7 billion) after a cash contribution of € 856 million to pension assets and the dividend payment of about € 370 million.

Gross Cash comprises "Non-current securities", "Current securities" and "Cash and cash equivalents". For the Net Cash calculation "Long-term financing liabilities" and "Short-term financing liabilities" are deducted from the gross cash.

Free Cash Flow before acquisitions of € 1,449 million exceeded expectations. The traditional end of year seasonal payment pattern has been very strong. It resulted in a strong positive swing in fourth quarter working capital thanks to the high delivery performance and stream of advances and receipts from commercial and government customers. Gross cash flow from operations reflects the strong underlying performance during the year.

The level of capital expenditure was € 3.3 billion, reflecting the ramp up in development and series programmes as the company builds capacity for future volume driven top and bottom line growth. It also includes the capitalised R&D under IAS38. Despite the record level of commercial aircraft deliveries, EADS' customer financing gross exposure was broadly stable compared to the 2011 level.

5.1.6 Order Intake and Order Book

EADS' order intake amounted to € 102.5 billion (FY 2011: € 131.0 billion) and reflected continuing commercial momentum across the EADS portfolio. Airbus Military, Eurocopter, Astrium and Cassidian all recorded year-on-year increases in order intake while Airbus Commercial exceeded its order target, booking 914 gross orders for 2012. At the end of December 2012, the Group's order book had increased by 5% to € 566.5 billion (year-end 2011: € 541.0 billion). The defence order book decreased to € 49.6 billion (year-end 2011: € 52.8 billion).

Table 5 – Order Intake and Order Book by Division

by Division (Amounts in millions of Euro)	Order Intake(2)			Order Book(2)		
	FY 2012	FY 2011	Change	31 st Dec 2012	31 st Dec 2011	Change
Airbus Division (1)	88,142	117,874	-25%	523,410	495,513	+6%
Airbus Commercial	86,478	117,301	-26%	503,218	475,477	+6%
Airbus Military	1,901	935	+103%	21,139	21,315	-1%
Eurocopter	5,392	4,679	+15%	12,942	13,814	-6%
Astrium	3,761	3,514	+7%	12,734	14,666	-13%
Cassidian	5,040	4,168	+21%	15,611	15,469	+1%
Headquarters / Consolidation	-1,413	-1,233	-	-1,112	-1,467	-
Other Businesses	1,549	2,025	-24%	2,908	2,983	-3%
Total	102,471	131,027	-22%	566,493	540,978	+5%

- 1) The reportable segments Airbus Commercial and Airbus Military form the Airbus Division. Eliminations are treated at the Division level.
- 2) Contributions from commercial aircraft activities to EADS Order Intake and Order Book are based on list prices.

5.1.7 EADS Division details

Airbus' consolidated revenues increased by 17% to € 38,592 million (FY 2011: € 33,103 million), reflecting strong commercial aircraft deliveries. The Airbus consolidated EBIT* more than doubled to € 1,230 million (FY 2011: € 584 million).

Airbus Commercial revenues amounted to € 36,943 million (FY 2011: € 31,159 million), driven by record commercial deliveries of 588 (FY 2011: 534), including 30 A380s. A total of 585 deliveries were booked with revenue recognition with the remaining three placed on operating lease. Revenues also benefitted from favourable U.S. dollar rates.

Airbus Commercial's reported EBIT* amounted to € 1,125 million (FY 2011: € 543 million). The Airbus Commercial EBIT* before one-off of € 1,647 million (FY 2011: € 485 million) benefited from an improved operational performance including favourable volume and pricing, net of escalation. It also reflected the hedge rate improvement. The Division's self-financed R&D expenses fell slightly to € 2,442 million. Despite stable deliveries, revenues at Airbus Military decreased by 15% to € 2,131 million (FY 2011: € 2,504 million) driven by lower A400M and tanker revenues. Airbus Military's EBIT* improved significantly to € 93 million (FY 2011: € 49 million) due to a favourable delivery mix with margin improvements from technically maturing programmes.

During 2012, Airbus Commercial registered 914 gross orders (FY 2011: 1,608 gross orders). Net orders totalled 833 (FY 2011: 1,419). These net orders comprised 739 A320 Family aircraft (ceo and neo), 85 A330/A350XWBs and nine A380s.

The A350 XWB development remains on track, based on the revised schedule, with the final assembly line fully operational. The structural assembly of the first flyable plane, 'MSN1', was completed and 'electrical power on' accomplished. Another milestone was achieved in February 2013 with the award of the European Aviation Safety Agency's Engine Type Certification for the Trent XWB turbofan.

Regarding the A380, the wing rib issue has been resolved with repairs on-going on deployed aircraft and design modifications embodied into the new production standard. The avenue for breakeven in 2015 is set at 30 deliveries.

In response to the continuing strong demand for Airbus' series programmes, Airbus achieved the steady production ramp-up of the A320 and A330 Families to 42 and 9.5 per month respectively. At the end of the year, AirAsia became the first operator of a fuel-saving 'Sharklet'-equipped A320.

Airbus Military achieved 32 aircraft orders (FY 2011: 5 orders) and delivered 29 aircraft (FY 2011: 29 deliveries), comprising 20 light and medium military transporters, five A330 MRTTs and four P-3 conversions. With 300 hours of Function and Reliability testing completed, civil and military certification for the A400M is expected in Q1 2013 with the first delivery due in Q2 2013 and four deliveries expected this year. Full military capabilities will be achieved over time and challenges remain until then. Airbus Military was selected by India as the preferred bidder to supply A330 MRTT aircraft.

At the end of 2012, Airbus' consolidated order book was valued at € 523.4 billion (year-end 2011: € 495.5 billion). The Airbus Commercial backlog amounted to € 503.2 billion (year-end 2011: € 475.5 billion), which comprises 4,682 units representing an industry record (year-end 2011: 4,437 aircraft). At the end of the year, Airbus Military's order book stood at € 21.1 billion (year-end 2011: € 21.3 billion).

Revenues at **Eurocopter** increased 16% to a record € 6,264 million (FY 2011: € 5,415 million), driven mainly by higher repair and overhaul support activities and the full year inclusion of the Vector Aerospace business consolidation. Higher NH90 and Super Puma revenues also contributed to the overall increase. Total deliveries declined to 475 helicopters (FY 2011: 503 helicopters), in particular for the EC135 and Ecureuil models.

The Division's EBIT* increased by 20% to € 311 million (FY 2011: € 259 million). The 2012 EBIT* includes the € 100 million charge booked in the fourth quarter to reflect the latest status of the on-going renegotiations for certain governmental programmes. EBIT* before one-off increased around 10% year-on-year, reflecting the revenue mix and the increase in R&D expenses as expected.

Eurocopter's order intake for 2012 rose 15% to € 5,392 million (FY 2011: € 4,679 million) with the number of net bookings rising for the third consecutive year to 469 (FY 2011: 457). Orders of the Ecureuil/Fennec/EC130 and EC135/ EC145 families were particularly strong.

Eurocopter continues to work in close collaboration with the investigating authorities on further identifying and explaining the root cause of the Super Puma incidents. The root cause of the recent Ecureuil incidents has been identified and a programme is in place to implement a retrofit approved by EASA.

At the end of 2012, Eurocopter's order book was worth € 12.9 billion (year-end 2011: € 13.8 billion) comprising 1,070 helicopters (year-end 2011: 1,076 helicopters).

Astrium revenues in 2012 increased to € 5,817 million (FY 2011: € 4,964 million) driven mainly by growth in services including the Vizada integration and strong programme execution. EBIT* increased by 17% to € 312 million (FY 2011: € 267 million). Astrium is seeing efficiency and productivity gains coming through the operational performance as a result of the AGILE transformation programme. However, higher investment in R&D and globalisation efforts as well as some Vizada integration costs weighed on the operating margin in 2012.

The Division achieved an order intake of € 3.8 billion in 2012 (FY 2011: € 3.5 billion), despite continued tough competition in the marketplace.

Seven Ariane 5 launches were conducted during 2012, taking the number of successful consecutive launches to 53. Nine Astrium-built satellites were delivered during the year. Fourth quarter satellite launches included U.K. military satellite Skynet 5D and earth observation satellite Pléiades 1B, further expanding the fleet operated by Astrium Services.

In November, the European Space Agency's Ministerial Council broadly confirmed European space budgets related to key programmes of Astrium. This resulted in initial contracts worth € 108 million received in January 2013 to secure the development of Ariane 6 and Ariane 5 ME.

At the end of 2012, Astrium's order book amounted to € 12.7 billion (year-end 2011: € 14.7 billion).

Cassidian revenues in 2012 were broadly stable as expected at € 5,740 million (FY 2011: € 5,803 million). EBIT* in 2012 fell to € 142 million (FY 2011: € 331 million) reflecting the € 198 million of one-off charges booked in the fourth quarter. On an underlying basis, the EBIT* before one-off was lower as expected due to investments in globalisation and transformation despite lower R&D expenses.

Cassidian's order intake rose significantly to € 5.0 billion in 2012 (FY 2011: € 4.2 billion) despite the challenging market environment. This was driven mainly by the Eurofighter and missile export business. In December, Oman signed a contract for the purchase of 12 Eurofighter Typhoon aircraft which is yet to be included in the order book.

At the end of December 2012, the order book of Cassidian had risen slightly to € 15.6 billion (year-end 2011: € 15.5 billion).

Headquarters and Other Businesses (not belonging to any Division)

Revenues of Other Businesses increased 22% to € 1,524 million (FY 2011: € 1,252 million), driven by volume increases at EADS North America and higher ATR deliveries. The EBIT* of Other Businesses decreased to € 49 million (FY 2011: € 59 million) with the EBIT* before one off stable with the 2011 level due to a less favourable revenue mix.

After an exceptional 2011, ATR in 2012 secured 61 firm orders (FY 2011: 119 orders) with its order backlog reaching 221 aircraft at the end of the year, equivalent to nearly three years of production. ATR achieved a record annual delivery level of 64 aircraft, reflecting a year-on-year increase of 19% (FY 2011: 54 aircraft).

In late 2012, the U.S. Army awarded EADS North America a \$ 181.8 million contract option to deliver 34 additional UH-72A Lakota light utility helicopters, raising the total number of orders to 312. The total number of Lakota deliveries to the U.S. Armed Forces reached 250 in December 2012.

At the end of December 2012, the order book of Other Businesses had decreased slightly to € 2.9 billion (year-end 2011: € 3.0 billion).

5.2 EADS N.V. Company financial statements

Table 6 – Balance sheet EADS N.V.

(in millions of €)	December, 31	
	2012	2011
Goodwill	4,354	4,354
Financial fixed assets	11,337	9,802
Non-current securities	5,786	7,103
Fixed assets	21,477	21,259
Receivables and other assets	8,654	6,362
Current securities	7,641	4,140
Cash and cash equivalents	1,549	3,394
Non-fixed assets	17,844	13,896
Total assets	39,321	35,155
Stockholders' equity ¹⁾	10,409	8,850
Financing liabilities	3,078	3,090
Non-current liabilities	3,078	3,090
Other current liabilities	25,834	23,215
Current liabilities	25,834	23,215
Total liabilities and stockholders' equity	39,321	35,155

1) The balance sheet is prepared before appropriation of the net result.

Table 7 – Income Statement EADS N.V.

(in millions of €)	2012	2011
Income from investments	1,168	1,010
Other results	60	23
Net result	1,228	1,033

5.3 Information on statutory accountants

	Date of First Appointment	Expiration of Current Term of Office*
KPMG Accountants N.V. Rijnzathe 14 – 3454 PV De Meern — The Netherlands Represented by J.C.M. van Rooijen	10 May 2000	29 May 2013
Ernst & Young Accountants LLP Boompjes 258, 3011 XZ Rotterdam — The Netherlands Represented by C.T. Reckers	24 July 2002	29 May 2013

(*) A resolution will be submitted to the General Meeting of Shareholders called for 29 May 2013, in order to appoint Ernst & Young Accountants LLP and KPMG Accountants N.V. as the Company's auditors for the 2013 financial year.

KPMG Accountants N.V., Ernst & Young Accountants LLP and their respective representatives are registered with the NBA (Nederlandse Beroepsorganisatie van Accountants; formerly Royal NIVRA).

5.4 Human Resources

5.4.1 WORKFORCE INFORMATION

In 2012, 11,080 employees worldwide entered employment with EADS (8,238 in 2011), while 4,042 employees left the Group (3,666 in 2011). At year-end the EADS workforce had increased to 140,405 (year-end 2011: 133,115). The increase in active workforce was mainly driven by the ramp-up in EADS business activities, which is expected to continue. EADS plans to recruit another 5,000 people in 2013.

In terms of nationalities, 38.5% of EADS employees are from France, 32.9% from Germany, 9.3% from the UK and 8.2% are from Spain. US nationals account for 1.7% of employees. The remaining 9.4% are employees coming from a total of 130 other countries.

Given the growth dynamic and mounting competition for highly qualified staff, capacity to attract talent is a key asset for the company. In 2012, several independent surveys recognised EADS and its Divisions as employers of choice. According to research conducted by international HR services company Randstad, amongst experienced professionals EADS and its Divisions were ranked in the top three companies in France, Germany and Spain. In 2012, French engineering students ranked EADS Europe's number one employer according to both the Trendence and Universum graduate surveys.

5.4.2 ORGANISATION OF HUMAN RESOURCES MANAGEMENT

The overall mission of Group HR function is to ensure that EADS can attract, develop, and retain a world-class competent, motivated and flexible workforce which fits current and anticipated future business requirements. HR facilitates diversity, continuous integration and internationalization of the Group and contributes to a common EADS spirit. The HR strategy aims at making EADS a global employer of choice and an innovative and engaging place to work for our employees. HR supports managers in their leadership and people management duties and advises employees.

Since June 2012, EADS and Airbus HR have been integrated under the same leadership role: Chief Human Resources Officer EADS & Airbus. The EADS Corporate HR governing team (HRDC) is composed of divisional and group HR directors. A double operational reporting line from the Divisions to the Group Head of HR fosters full coherence and alignment in the Group HR operational governance.

The HR function has implemented global shared services for HR administration, payroll, recruitment and learning administration using a common global HR information system.

These efforts over the last years and the establishment of shared service and governance structures are contributing to the establishment of an integrated HR function. A common HR Delivery Model is in place which entails a harmonized HR Business Partner role definition to ensure a consistent representation of HR in the different businesses. HR Business Partners provide business proximity and ensure people development and HR solutions tailored to business challenges.

Corporate HR ensures the definition and implementation of group-wide HR strategies, policies, processes and projects which are in the overall interest of EADS and thus (i) defines common HR policies together with Divisions and (ii) owns particular topics through sovereign functions (e.g. Talent and Executive Development, Compensation and Benefits as well as Social Policy and Industrial Relations). The Corporate HR team operates as strategic leader and centre of competence in reserved HR matters, in close cooperation with the Divisions and Business Units which have the operational HR responsibility. For the sovereign as well as selected key HR topics, formal networks are established which ensure regular meetings of the HR managers and specialists from different domains on both group and national levels.

In 2011, working with Group / Divisional Strategy and CTO departments, HR took important steps in mapping existing competences and defining those competences EADS will need to develop in the future.

The ESOP 2012 campaign has been a great success. 27 507 employees (20,1%) invested in the Company, which is more than ever in the history of EADS and demonstrates employees trust in the Company.

2011 saw also the launch of the new group wide initiative “my life at EADS”, which aims to create a better working environment and enhance the wellbeing of employees through the fostering of an inclusive working culture, health and safety, stress prevention, childcare solutions and flexible working arrangements. Fifteen best practices have already been awarded in November and will now be promoted across the Group.

With regard to gender diversity, the main focus remained on talent management and on building an internal pool of talented women, supported by a specific development program for talented women on level 5 (Manager) named “GROW”.

In 2012, 21.4% of new recruits to the company were women (21% in 2011) and women made up 17.3% of the active workforce (17% in 2011). By 2020, EADS aims to increase the share of women recruited to 25% and the share of women within the senior manager and executive community to 20%.

Since 2009, EADS runs a group wide engagement initiative for all employees based on a survey every 18-24 months, which highlights the strong drivers for engagement as well as areas for improvement.

Since then, a complete action plan has been rolled out focussing on employee recognition, reinforcement of leadership, communication inside and across teams, proximity of managers as well as HR to support EADS Employees.

Many specific actions have been put in place to foster an engaging workplace. Amongst others:

- ▶ All units invested strongly in two annual discussions between managers and subordinates: annual interview and mid-year review;
- ▶ Engagement forums for best practices sharing were established in June 2011 to enable the whole organisation to learn from those valuable experiences. The documentation was distributed to all managers;
- ▶ Leadership training programs “BEST/INSPIRE” were further deployed at all management levels. More than 6,000 managers have been trained since 2009
- ▶ A focus was set on action plans and follow-up at team level, in all Divisions (team boosters), with the local support of HR.

The third engagement survey results have been made available in June 2012 and have shown a significant improvement at EADS level with all divisions showing an increase of its actively engaged teams and an overall very good step forward. Further engagement actions and best practice exchanges (i. e. Customized workshops / Team Accelerators, spontaneous recognition schemes, etc.) have been put in place.

The fourth wave of EADS Engagement survey will take place during the last semester 2013.

As part of its drive to foster a stimulating and rewarding working environment, EADS actively supports employee training ambitions and career moves within the Group. In 2012 more than 7500 employees took up the opportunity to move to a new EADS department, site or country. Mobility of employees within or across divisions is going to be one of the main priorities for the overall benefit of both EADS employees and the group itself. Developing new competences, bringing new ideas and extending professional networks is crucial for the company.

Subsequent to this EADS is deploying significant efforts in the analysis and development of all competences across the group. Skills analysis, gap-bringing development actions are in place such as a robust and adapted training plan. In 2012, EADS has delivered to its employees over 2,850,000 hours of training.

5.5 Environmental matters

EADS' prominence in aerospace makes it a central player of the sustainable mobility issue and more broadly, of the evolution towards a "green economy". Following the creation of the EADS Environmental network, the group's first environmental policy was published in 2008; it was translated into a corporate environmental roadmap, issued a year later, which dictates regulatory compliance and continuous improvement in environmental management, and defines specific goals for eco-efficient operations, products and services. To heighten the sense of importance, and incorporate "eco-efficiency" systematically in the corporate culture, EADS has worded its 9th group wide top priority in 2012 as follows "improve eco-efficiency of our products and industrial processes". The eco-efficiency concept professes the reconciliation of environmental protection with business economy (maximizing economic value creation while minimizing environmental impact) and stresses environmental compliance and management as much as business opportunities.

5.5.1 MANAGING ENVIRONMENTAL IMPACT OF ACTIVITIES AND PRODUCTS THROUGHOUT THE LIFE CYCLE

Environmental Management System ("EMS")

ISO 14001 is an internationally recognized standard of EMS efficiency for businesses and organisations. EADS encourages not only the environmental certification of its operations, but also the development of a full life cycle orientation for its products and services, as this remains the most cost-efficient and practical way to effectively reduce the environmental impact. Robust certified EMS standards have been progressively implemented across EADS manufacturing sites and over 90% of EADS employees operate under an ISO 14001. The site and product life cycle orientation of EMS purports to create economic value by reducing environmental costs and exposure at each stage of the product life, from design to operations up to end of life. In 2012, Astrium France successfully completed the ISO 14001 re-certification process. Numerous Eurocopter sites were also ISO 14001 certified in 2012, in particular Eurocopter UK, Helibras Brazil and American Eurocopter (third party audit planned for second quarter 2013). In 2013, Cassidian is expected to obtain its first ISO 14001 certification for its Finnish sites, Airbus will go through the global re-certification process and Eurocopter pursues the certification process for Eurocopter South Africa, Australian Aerospace and Motorflug.

At the Research and Development stage

EADS' main focus is to enable the whole aviation sector to meet stringent 2020 and 2050 targets for reducing noise and emissions. Five of the seven research and technology groups within the Group's corporate research network address topics related to eco-efficiency. 90% of Airbus' annual research and development investment is for environmental benefits. Airbus is committed to Flightpath 2050 targets to allow 75% of CO₂ emission reduction per passenger per kilometre, 90% of nitrogen oxide (NO_x) emissions reduction and 65% of noise reduction by 2050.

At the extended enterprise level

EADS strives to keep the environmental impact of its entire supply chain under control, and it helps its suppliers to improve, notably for compliance with regulatory requirements regarding various substances content in products. To mitigate non-trivial business risks, a large mobilization is underway to support the EADS supply chain on complex substances related regulations such as REACH.

EADS strives to develop joint initiatives within industry in order to improve the overall environmental performance of the aerospace and defence industry in the most effective, consistent and cost-efficient manner possible. EADS supported the creation of the IAEG (International Aerospace Environmental Group) in order to harmonize industry responses to existing and emerging environmental regulations, align aerospace environmental standards and work on a common approach and expectations for the supply chain.

EADS leads or participates in various European and international environmental working groups such as ICAO, ATAG, ICCAIA, ASD, CAEP, WEF and in environmental working groups of national industry organisations such as GIFAS in France, TEDAE in Spain, BDLI in Germany and ADS in the UK.

At the manufacturing level

Investment processes are being reviewed in order to include environment criteria to better integrate environment into business and move towards an eco-efficient enterprise

Initiatives have been launched at Division and site level to reduce the environmental footprint of the Company by 2020 e.g.:

- Airbus BLUE-5 initiative which provides a roadmap for reducing the environmental footprint of Airbus by 2020 on the 5 aspects of EADS Vision 2020 - energy consumption, CO2 emissions, waste production, water consumption & discharges and Volatile Organic Compound (VOC) emissions.
- Airbus built new facilities that are state of the art in terms of sustainable buildings, designed to improve the energy efficiency of industrial activities based on lean manufacturing principles, while also reducing the environmental impact. For example, the A350XWB North Factory in Broughton, UK, was assessed “excellent” in the BREEAM methods, thanks to biomass boilers as a primary source of heating, photovoltaic solar tracking arrays, a new drainage system to collect rainwater and many other building management system improvements.
- Eurocopter built new buildings in Donauwörth using low energy consumption technologies and geothermal energy, and created a car park covered by 16,000 m² of solar panels. Eurocopter also strengthened partnerships to move towards green logistics (with SDV and DHL mainly) to develop carbon off-sets and direct carbon reductions.
- Cassidian and Astrium launched some renovation campaigns (roofing, insulation, etc.), changed some compressed air systems, implemented presence sensors for lighting control and encouraged local initiatives to reach ambitious 2020 objectives.
- In addition to numerous facility management improvements, EADS has sought to integrate eco-efficiency firmly within its industrial strategy. Workshops have been conducted to identify Group best practices and to benchmark other enterprises and sectors. Best in class eco-efficient industrial practices and processes will be listed to become standards and applicable references for the Group.

To monitor progress, and to comply with reporting obligations, EADS-wide environmental reporting is now well implemented, organized around clear guidelines, a data collection tool and a structured network. The reporting process and the consolidated data are externally audited since 2010. 14 environmental indicators have been verified in 2012 [compared to 4 in 2010], covering themes such as energy consumption, CO2 emissions, waste production and water consumption. Results of last year’s audit have shown the relevancy, maturity and reliability of the EADS environmental reporting.

Aircraft operations:

Over the last 40-50 years, the aviation sector has reduced noise by 75% and CO2 by 70%. Yet, environmental performance is mandated to improve further and is a major focus of attention.

While its fuel saving technology is a compelling argument for airlines, the A380’s noise and fuel efficiency (< 3 litres fuel consumption / passenger / 100km vs. 5 litres average for the worldwide fleet) remains unsurpassed for its category.

In line with the ambitious ACARE targets, some Top Level Aircraft Requirements were set for the environmental performance of the A320neo Family. For instance, based on realistic airline operations assumptions, the fuel burn target (of: -15% aircraft level fuel burn relative to today’s A320) translates into a saving of around 3600 tonnes of CO2 per year.

The installation of “Sharklets” wing-tip devices, which have been specially designed for the Airbus A320 Family, will reduce fuel burn by up to 3.5%, corresponding to a CO2 reduction of around 1000 tonnes per aircraft per year. This reduction is equivalent to the CO2 produced by around 200 cars annually.

Built-in fuel efficiency is beyond any doubt the greatest contributor to the environmental friendliness of the A350 XWB. The A350 XWB has been designed to be eco-efficient from gate to gate, which means lower levels of noise and emissions and greater fuel efficiency at every stage of the journey. Environmentally-friendly materials have been favoured throughout the design of the A350 XWB. Some typical examples are hydraulic fluid, and batteries. Each part of the aircraft has been optimised for increased eco-efficiency.

Eurocopter’s X3 hybrid helicopter demonstrator has delivered on the promise of pushing the frontiers in rotary-wing aviation by surpassing its original speed target of 220 kts demonstrating the compound aircraft’s performance, capabilities and maturity. The new aircraft and propeller speeds can be varied by wide degree, making it possible to significantly reduce noise

levels during low altitude flyovers. The X3 also can perform optimized flight trajectories during landing and take-off in order to reduce the sound footprint perceived on the ground. The X3 consumes less fuel per kilometre during high-speed cruise flights than the current generation of conventional helicopters.

Beyond aircraft development, EADS is assuming a leading role in developing integrated solutions for enhanced environmental performance including modernization of Air Traffic Management (“ATM”) and development of alternative fuels.

EADS is pioneering the development of sustainable biofuels, made from biomass feedstock that through their total lifecycle produce lower CO₂ emissions than conventional fossil fuels. EADS has been working with a broad range of partners - universities, farmers, airlines and refineries as well as standard-setting organisations - to develop “drop-in” biofuels that can be used in current aircraft without modification. Airbus currently has six value chain projects in place in Romania, Spain, Qatar, Brazil, Australia and China, and is pursuing projects in South Africa and Canada. It also supports airlines with their commercial operations using biofuels and is co-leading a key project with the EU to prepare a feasibility study and roadmap to ensure two million tonnes of biofuel availability for aviation in the EU by 2020.

Through Airbus’ involvement in flights and its technical support, 50/50 blend alternative fuels are now certified for commercial flights (Fischer-Tropsch and HEFA processes). Over 1,500 commercial flights have now been flown with alternative fuels worldwide. Airbus’ alternative fuels strategy is based around being the catalyst in the search for sustainable solutions for the production of affordable alternative fuels in sufficient commercial quantities to face the environmental challenges for aviation.

EADS is also dedicated to the development and support of modern ATM, with the overall objective being to allow sustainable growth of air transport. EADS is interacting with and helping to develop ATM programmes such as “Single European Sky ATM Research” (SESAR) in Europe, as well as NextGen in the US. The Group subsidiary “Airbus ProSky” is dedicated to the development and support of modern ATM systems.

The use of innovative technologies, biofuels and optimised air traffic and flight procedures for modern aircraft can all lead to a significant drop in CO₂ emissions. This was demonstrated in June 2012 when Airbus and Air Canada performed a flight using an Airbus A319 that reduced CO₂ emissions by over 40% compared to a similar regular flight.

End of life and recycling of aircraft

This process deserves consideration: about 14,000 commercial transport aircraft will be removed from service over the next 20 years, as they are replaced by more fuel and CO₂ efficient aircraft. Airbus has developed sustainable dismantling and recycling techniques that comply with environmental, health and safety requirements, and it is increasingly incorporating this knowledge upstream into aircraft design.

5.5.2 EADS: A WAREHOUSE OF TECHNOLOGY, CONTRIBUTING TO THE ENVIRONMENTAL OFFER

EADS evolving technology portfolio, arising from Aerospace and Defence research, has applications inside and outside its core business, contributing to environmental innovation across other sectors.

Illustrating this approach, Astrium is positioning its observation, navigation, telecom satellites and services as enablers of three component solutions to earth’s environmental challenges: Monitoring (to provide policy makers with solid data for decisions), Mitigation (of the negative impact of human activities), and Adaptation (to environmental degradation). Astrium is the prime contractor for four of the six ESA Earth Explorer missions – Cryosat-2, Swarm, Aeolus and EarthCARE. In 2012, ESA awarded Astrium a contract to define the CarbonSat satellite. CarbonSat will measure the global concentration and distribution of the two most important greenhouse gases – carbon dioxide (CO₂) and methane (CH₄) – with unprecedented accuracy, providing climate scientists with essential data for climate analysis and for refining climate simulation computer models.

5.6 Research and Technology, Quality and Systems Engineering

During 2012, the EADS Corporate Technical Office (“CTO”) organization supported the company’s research and technology activities, working directly with the business units, while also enhancing the capabilities of the EADS Innovation Works research and development arm. Additionally, the CTO reinforced its responsibility for overseeing EADS’ quality initiatives,

while directing the company-wide implementation of systems engineering, the interdisciplinary approach to mastering large and complex systems in meeting a set of business and technical requirements.

A 2012 restructuring of the CTO simplified and streamlined its relationships with the EADS divisions, while also encouraging a more open decision-making process on projects, leading to clearer choices earlier in the programs. This restructuring builds on the CTO's achievements since its creation five years ago.

The CTO's 2012 developments included a step-up in Russian cooperative activity, assisted by the relationship established with Russia's new Skolkovo high-technology hub. One of the joint projects pursued under this relationship is focused on continuous detonation wave engines for future propulsion systems, bringing the CTO together with Russian researchers from the Lavrentiev Institute.

The CTO Innovation Nursery, which helps finance and evolve promising new concepts and ideas within EADS, supported a growing number of selected projects, including an evolution of the SLD-Scout laser surveillance and detection system for threats from snipers. Developed jointly by EADS Innovation Works and the CILAS subsidiary of Astrium and Areva, SLD-Scout uses a binocular-type unit weighing less than two kilos to detect and locate a full range of optical scopes employed by snipers, as well as optronic-based sights.

EADS' research regarding the dangers resulting from aircraft icing moved into a new phase in 2012 with the introduction of EADS Innovation Works' new Icing and Contamination Research Facility (iCORE) wind tunnel at its Ottobrunn, Germany laboratory facilities. This compact cryogenic wind tunnel is being used to help identify coatings, tailored surfaces and other means of countering the accumulation of ice encountered during flight in the atmosphere and in clouds.

A new laser-based inspection technology, called 'LUCIE' (Laser Ultrasonics Composite Inspection Equipment) is now being validated following its development by EADS Innovation Works along with Airbus research and technology teams, the French Ecole des Mines, the iPhoton company and Spain's Tecnatom. LUCIE offers a completely new means to inspect composite structures such as aircraft fuselages, replacing current ultrasound techniques that require direct contact or the use of a coupling agent.

The DATADVANCE joint venture of EADS Innovation Works and Russian investors gained new momentum for its MACROS software tool, which helps to reduce design time and cost of complex engineering products. Created by Russia's International Research Institute of Advanced Systems and the Institute for Information Transmission Problems, with validation performed by EADS Innovation Works – MACROS' capabilities were demonstrated in a final assembly line application at Airbus. Additionally, DATADVANCE established a partnership agreement with TELUM, a Russian leader in military and professional radio communication systems development.

With the CTO's involvement, a unique campus created at an industrial site through the joining of universities, research institutions and industry is being established at EADS' Ottobrunn facility. The Bavarian International Campus Aerospace & Security (BICAS) involves EADS and six other founding partners with backing from Germany's state of Bavaria, and is initially focused on three "pillars" that involve research projects, scientific equipment and teaching and study programs.

In the area of virtual reality, EADS Innovation Works is applying this technology with passenger "subjects" to help to determine what measures could be applied in making future airliner passenger cabins more eco-efficient by defining tools and measurement methods to determine passenger acceptance for such factors as less storage space on short- and medium-haul flights if the ticket price is discounted accordingly.

Also under the CTO responsibility is the company-wide project to harmonize EADS' information technology infrastructure across all divisions and operations, called Lean EGIMS (EADS Global Information Management Services). In 2012, Lean EGIMS surpassed its cost-savings target through the implementation of unified infrastructure for computers, networks and telephones, along with common support services.

6. Financial Targets for 2013

As the basis for its 2013 guidance, EADS expects the world economy and air traffic to grow in line with prevailing independent forecasts and assumes no major disruption due to the current sovereign debt crisis.

In 2013, gross commercial aircraft orders should be above the number of deliveries, in the range of 700 aircraft. Airbus deliveries should continue to grow to between 600 and 610 commercial aircraft. Due to lower A380 deliveries and assuming an exchange rate of € 1 = \$ 1.35, EADS revenues should see moderate growth in 2013. By stretching the 2012 underlying margin improvement, in 2013 EADS targets an EBIT* before one-off of € 3.5 billion and an EPS* before one-off of around € 2.50, prior to the proposed share buyback.

Excluding the known wing rib feet A380 impact in 2013 of around € 85 million based on 25 deliveries, going forward, from today's point-of-view, the "one-offs" should be limited to potential charges on the A350 XWB programme and foreign exchange effects linked to PDP mismatch and balance sheet revaluation. The A350 XWB programme remains challenging. Any schedule change could lead to an increasingly higher impact on provisions.

EADS aims to be Free Cash Flow breakeven after customer financing and before acquisitions in 2013.

7. EADS Strategic Challenges

Defined in 2007, the Group's Vision 2020 strategy highlighted the need for a balanced portfolio, a more globalized footprint, a stronger presence in the US, a significant service business and greater focus on platform/systems in the value chain. In addition, a set of inalienable actions was defined – the most important of which was maintaining a market share of between 40% and 60% in commercial aircraft.

7.1 Vision 2020 – Achievements

The Group broke down Vision 2020 into several objectives, against which quantitative/qualitative tracking was conducted. Significant progress has been made on certain targets, but full achievement of all targets has yet to materialize.

- **Balanced Revenues:** Achieve a 50/50 balance in commercial aircraft manufacturing and other businesses, to protect against market cyclicity and meet investment requirements. This target has been challenging because of the steep increase in Airbus production over the past several years, going from roughly 450 deliveries in 2007 to 588 last year. At the end of 2012, the Group still generated approximately 35% of its revenues outside of commercial aircraft manufacturing.
- **Profitability:** Achieve best-in-class operational and financial efficiency to reach 10% EBIT in the first half of the decade 2010-2020. Although the Group faced significant program challenges in the past (e.g. A380 and A400M), many of these programs have now stabilized and thanks to comprehensive cost savings and efficiency improvement programs. EADS is on its path to 10% in 2015 subject to a 1.30 €/€ rate and before A350.
- **Services:** Achieve a 25% services share by 2020, hence 20bn€, focusing on high-value services. After significant organic growth complemented by several recent acquisitions (e.g., Vizada in SATCOM services, Vector Aerospace in helicopter services, SatAir in commercial aircraft material management), the Group recognized almost € 7.5 bn in services revenues at the end of 2012. This is an increase of more than 75% from 2008, when services revenues stood at € 4.2 bn.

- **Globalization:** Reach 40% of EADS sourcing outside of Europe; 20% employees outside of Europe; and achieve \$ 10bn non-Airbus revenues in the US and gain a prime position with the US Government. The sourcing target remains challenging, with 28.5% of sourcing already done outside Europe and few major new program sourcing decisions on the horizon within Airbus Commercial. On the other hand, employees outside Europe have been growing due to a mix of external and organic growth initiatives in the US, Brazil, India, and China. The Group's employees outside Europe increased from 4.5% of our total workforce in 2008 to around 7% in 2012. US revenues have grown considerably due to niche M&A and the sale of over 350 EC-145 helicopters to the US Army. In 2008 the Group generated just over \$ 1.0 bn in the US from non-Airbus commercial activities, by 2012 this number stood at almost \$ 2.7 bn. Growth in the US defence/government business is largely dependent on winning either a major program like the Armed Aerial Scout helicopter or conducting M&A.
- **Eco-Efficiency:** Environmental issues are to become a transversal driver towards sustainable development. Internally, the Group has made progress in its manufacturing business by pursuing environmentally friendly processes that also cut costs and increase our efficiency. In addition, we now track CO2 emissions, water consumption, and waste generation across the Group. More importantly, the Group's introduction of newer, more fuel efficient planes like the A320 NEO and the A350 is also capitalizing on customers desire to operate in more energy efficient manner.

7.2 The Path Forward for the Group's Strategy

Due to challenges and changes within the Group and external market and competitor trends, EADS management is currently reviewing its strategy.

Key internal changes within the company include the reorganization of some of the company's defence/government businesses, a new management team being appointed in 2012, and the expectation of a new Board of Directors in 2013. Externally, the Group has seen increased competition from emerging competitors, particularly in the very fast growing commercial aircraft market, coupled with stagnating/declining government budgets, while commercial markets grew faster than expected in 2007. Other continuing trends which needs to be addressed in the future strategy are the supplier consolidation, new customers with new services demands as well as an increasing ambition from emerging countries to participate in the aerospace and defence industry. Finally, the failure to merge with BAE, which would have met nearly all Vision 2020 objectives, has also compelled the management to revisit the actionability of the strategy.

The Corporate Development team conducted a full review of Vision 2020 during the autumn of 2012 in order to fully understand where the company stood vis-à-vis each objective. Following this review, several workshops were held in quarter 4 to explore potential strategies, including out-of-the-box ideas, based on internal changes, changes in the external environment and major future trends with relevance for the Aerospace and Defence sector. First findings outcomes of these exercises were vetted in the EADS Group Executive Committee and presented to the Board end of 2012. Currently, this work is continuing on the company's new strategic direction using comprehensive materials generated from previous workshops, feedback from the new Board as well as developing new ideas on how the Group can grow profitably and sustainably. This review will culminate with the new strategy being presented to the Board of Directors for validation mid-2013.

7.3 Divisions outlook

Airbus

In 2013, Airbus is targeting a further increase in deliveries to at least 600 commercial aircraft. Monthly production rates are set to continue at 42 for the A320, while progressing to 10 per month for the A330. To implement the wing rib feet solution, A380 production will be slowed slightly in 2013, to around 25 aircraft.

Within the challenging A350 XWB programme, management will be dedicating its utmost attention to achieving a successful first flight around mid-2013 and preparing the way for a smooth production ramp-up, with a first delivery targeted for the second half of 2014. Airbus expects to win around 700 gross commercial aircraft orders.

Airbus Military targets a successful first delivery of the A400M to the French Air Force in the second quarter of 2013. A total of four A400M deliveries – three to France and one to Turkey - are planned for 2013.

In total Airbus Military expects to deliver at least 28 aircraft and to win around 30 new orders.

Airbus underlying profitability (EBIT* before one-off) is expected to improve significantly, thanks to higher delivery volume, better pricing and improvement of A380 production performance. Going forward, the reported EBIT* will be dependent on the Group's ability to execute on the A400M, A380 and A350 XWB programmes, in line with the commitments made to its customers.

Eurocopter

In 2013, Eurocopter expects to deliver profitable growth, supported by increased deliveries and services activities. Goals include sustaining the delivery pace for Super Puma and Ecureuil families, as well as NH90 and Tiger helicopters, while also preparing the EC175's ramp-up.

Key discussions will continue with certain European governments on NH90 and Tiger helicopter contractual commitments. In close collaboration with investigating authorities, Eurocopter will continue analysis of EC225 incidents reported in 2012, in order to identify the root cause and implement corrective measures.

From now until 2015, Eurocopter expects to benefit from organic and inorganic growth, with profitability increases driven by operational improvement, improved programme management management and, from 2014 onwards, favourable mix effects.

Astrium

Based on existing orders, the number of Ariane 5 launches and satellite deliveries in 2013 should be broadly in line with 2012. On defence markets, Astrium will maintain its strong position in Europe, as a key partner for governmental and NATO programmes. Astrium will target profitable export growth in 2013 and the medium term, above all in its civil and defence services and equipment activities.

Measures introduced with the Agile transformation plan, in particular lean manufacturing methods and standardised processes are expected to support underlying performance in 2013 and beyond. In an increasingly competitive market environment, Astrium will continue to focus investment on innovation in all its aspects and in extending global presence.

Cassidian

In 2013, revenues at Cassidian are expected to be broadly stable compared to 2012, driven mainly by core Eurofighter and MBDA programmes. In the medium term, Cassidian aims to achieve a significant improvement in profitability through cost reductions, leaner processes and improved programme execution. While Eurofighter deliveries are secured until 2017, Cassidian will continue to explore export opportunities worldwide.

The information contained in this Board Report will enable you to form an opinion on the situation of the Company and the operations, which are submitted to you for approval.

For further information and detail regarding EADS' activities, finances, corporate governance, and in particular risk factors, the reader should refer to the EADS website www.eads.com.

The Board of Directors hereby declares that, to the best of its knowledge:

- ▶ The financial statements for the year ended 31 December 2012 give a true and fair view of the assets, liabilities, financial position and profits or losses of EADS and undertakings included in the consolidation taken as a whole; and
- ▶ This Board Report gives a true and fair view of the position as per the balance sheet date, and of the development and performance during the 2012 financial year of EADS and undertakings included in the consolidation taken as a whole, and the principal risks facing EADS have been described herein.

The Board of Directors

Arnaud Lagardère, Chairman

Thomas Enders, Chief Executive Officer

Dominique D'Hinnin, Director

Hermann-Josef Lamberti, Director

Lakshmi N. Mittal, Director

Sir John Parker, Director

Michel Pébereau, Director

Josep Piqué i Camps, Director

Wilfried Porth, Director

Jean-Claude Trichet, Director

Bodo Uebber, Director

Leiden, 26 February 2013